

Nation's Business

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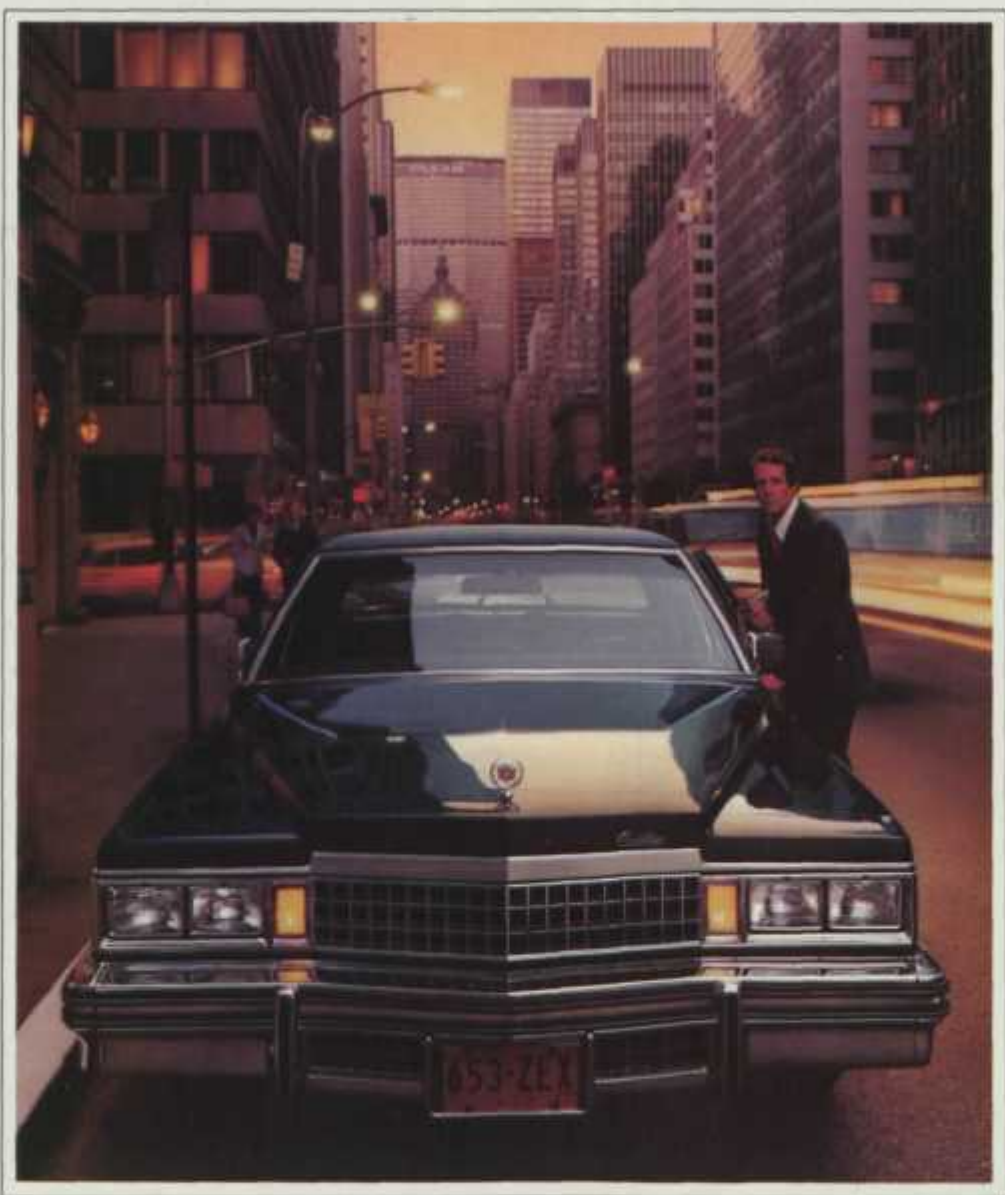
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Nation's Business

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A LOOK AHEAD FROM WASHINGTON

Many Pension Plans Are in Trouble, Agency Says

Ever since the Employee Retirement Income Security Act of 1974 was signed into law, business and pension experts have been warning that this so-called pension reform law is not working as its sponsors confidently anticipated. They said ERISA was causing many company pension plans to be terminated.

Now the Pension Benefit Guaranty Corp., the agency created by ERISA to insure pensions, has advised Congress that the outlook is indeed gloomy:

- About one eighth of all multi-employer pension plans are experiencing significant financial hardships and are likely candidates for cancellation.
- The premium rate for single-employer plans, now \$1 per participant, needs to be raised to \$2.25 on Jan. 1 to finance claims resulting from current and future terminations of plans without sufficient assets to meet obligations.
- In the space of a single year the corporation's deficit has risen from \$41 million to \$60 million.

Some 2,000 multi-employer plans that cover 7.7 million participants have been terminated for a variety of reasons since ERISA was enacted.

Pension Benefit Guaranty Corp. officials have warned Congress that about two percent of all multi-employer plans, covering five percent of all participants in such plans, have a high potential for termination within the next five years. These plans have an aggregate unfunded liability of more than \$350 million.

Another ten percent of multi-employer plans are having significant financial hardships that may lead to plan terminations in the future. Involved are 15 percent of all participants. The unfunded vested liabilities here come to \$3.5 billion.

Congressional committees are holding hearings on ERISA and considering such proposals as postponing mandatory coverage of multi-employer pension plans for one or two years.

Study Shows Need for Curbs on Class Action Lawsuits

Business is citing a new study of class action lawsuits as a telling testament to the need for a hard look at laws that encourage this type of litigation.

A Judicial Conference of the United States committee reports 115 out of 151 federal district court

judges say the class action system encourages defendants to settle cases rather than thrash them out in the courts. Defendants, because of the size of their potential liability, fear actual trials, the judges say.

Nineteen of 24 federal circuit court judges give the same response. The committee also surveyed attorneys representing plaintiffs. Surprisingly, 43 of 75 who responded agree with the judges.

J. Fred Byset, an attorney with the Chamber of Commerce of the United States, has told Sen. Edward M. Kennedy (D.-Mass.), who is chairing hearings on the subject, that "some curbs on class actions must be found to assure that the right to defend is a practical reality and not just legal theory."

Required Capitol Hill Approval for Agency Regulations Opposed

While the thought of requiring congressional approval for regulations concocted by government agencies has a lot of interest for those who see it as a way to cut government paperwork, the advantages don't come near to outweighing the disadvantages, according to the Administrative Conference of the United States.

This is the agency authorized in the 1960's to help develop legal procedures that federal agencies use to administer regulatory and other programs. Serving on the conference are 36 private citizens and 44 high-level officials from 37 federal departments and agencies.

Congress occasionally orders agencies to notify it 60 days in advance of a regulation. If no congressional action is taken, the regulation goes into effect.

The Administrative Conference, however, urges Congress to be judicious in use of this veto power. Congress is not manned to deal with the often highly technical aspects of many regulations, the agency says, and the 60-day provision would unnecessarily stretch out the regulation-making process in cases where Congress could not adequately review regulations. Normally, a regulation goes into effect 30 days after being printed in the "Federal Register."

Still another problem involves the courts. The Administrative Conference says courts might conclude that congressional inaction on a regulation implies ratification. "If legislative approval is inferred from inaction by Congress under the proposed procedure," the agency says, "then the scope of judicial review may be reduced without provision of an adequate substitute."

More Venture Capital Sought for Minority Small Business

Legislation has been introduced in the Senate to increase the availability of venture capital from minority enterprise small business investment companies.

The bill, S. 2156, the Minority Enterprise Venture Capital Act of 1977, was introduced by Sen. Gaylord Nelson (D.-Wis.), chairman of the Senate Small Business Committee. It would give MESBIC's a much better break on the rate of interest and preferred-stock dividend payments they make to the government. They already enjoy an advantage over other government-aided small business investment companies in this regard.

Unlike SBIC's, the MESBIC's are restricted to making venture capital available only to minority-owned small businesses. But even with the financing advantages, MESBIC's have not attracted the needed capital. The Small Business Administration has invested about \$54 million and private investors another \$48 million in the 66 existing MESBIC's.

The bill would also promote investor confidence by requiring that new MESBIC's have a minimum paid-in capital surplus of \$500,000 instead of the present \$150,000.

Congress Ponders Creating Regional Energy Corporation

Creation of a quasi-government regional corporation, whose function would be to increase the energy supply and promote more efficient energy use in the Northeast, is getting attention in Congress.

The concept is the brainchild of the Coalition of Northeastern Governors, whose states—New York, New Jersey, Connecticut, Massachusetts, Pennsylvania, Rhode Island, and Vermont—rely heavily on imported petroleum.

Sen. Henry M. Jackson (D.-Wash.) and 13 other senators have joined in introducing S. 2161, The Regional Energy Development Act of 1977. The corporation created by enactment of this bill would provide technical and financial assistance using state and private capital supported by federal guarantees.

According to Sen. Jackson, the corporation could aid such projects as construction of facilities for energy production, development of energy transportation or distribution systems, manufacture of equipment needed for energy production, and conservation.

Under the plan, a state joining the corporation would make an initial capital contribution of \$1 per capita of its population. The sole federal commitment would be to guarantee the corporation's obligations, which at a maximum would be \$5.8 billion.

Sen. Daniel Patrick Moynihan (D.-N. Y.) says the bill is drafted to limit the control the corporation could exert over private energy development. The corporation could not, for example, operate any project which it supported financially.

The corporation would be authorized to participate in joint ventures with public or private groups and to operate through subsidiaries. Its own activities, as opposed to projects it finances, would be tax-exempt. The corporation would be able to assist energy development by loans, guarantees, or equity investments if private capital is insufficient or unavailable. Except in special circumstances, the corporation would not be able to supply more than 50 percent of the total cost of a project. All projects would be subject to a veto by the governor of an affected state.

Sen. Jacob K. Javits (R.-N. Y.) says that, while the bill is aimed at solving the needs of the Northeast, it could serve as a model for other regions of the nation.

Administration Emphasizes Rural Economic Development

Look for more emphasis on rural economic development from the Carter administration, which is asking Congress for legislative authority to reorganize part of the Agriculture Department.

To make the Rural Development Act of 1972 work as intended, Agriculture Secretary Bob Bergland wants to combine the functions of the Farmers Home Administration and the Rural Development Service. He says he intends to make rural development a "major mission" of his department.

Latest Census Bureau statistics confirm that rural areas are not participating equally in the economic growth of the South and West. Poverty and high unemployment are a rural problem in the sunbelt states, just as in urban areas in the North.

Between 1970 and 1975 metropolitan areas in the South and West increased their proportion of the total U. S. population from 48 percent to 49.7 percent. More than two thirds of the migrants to these sections settled in metropolitan rather than nonmetropolitan areas.

Democrats' NLRB Margin Could Become Lopsided

The National Labor Relations Board has now swung Democratic by a three-to-two margin and, if the Senate passes a House-approved bill amending the National Labor Relations Act, the ratio is expected to climb to five to two. [See editorial, page 112.]

The House bill calls for increasing NLRB from the present five members to seven, a change that business is strenuously resisting on grounds this would allow a President to lopsidedly pack the board.

Newest member is John C. Truesdale, a career NLRB lawyer and a Democrat. He replaces Republican Peter D. Walther, a Republican who resigned. And the President has nominated NLRB Chairman John H. Fanning to an unprecedented fifth five-year term on the board and indicated he would continue the Rhode Island Democrat in the chairmanship. [See "The Man Who Heads NLRB Now," NATION'S BUSINESS, September, 1977.] □

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Meeting the Housing Demands of Millions

I read with interest your article, "Why Home Prices Are Soaring" [September].

It does an excellent job of pointing out why conventional housing has gone sky-high. However, there is one industry that continues to build houses at modest prices that most Americans can afford.

Manufactured housing is becoming the nation's fastest-growing industry because we are supplying people with a product they desire and can afford. Call it what you want—mobile homes, modulars, prefabs—it is all manufactured housing.

This type of housing is meeting the demands of millions of Americans and still keeping the cost to a minimum. The reasons are obvious: Assembly-line techniques, 24-hour production, purchasing large quantities of materials at discount prices, advanced technical and engineering know-how, and a host of other ingredients keep manufactured housing in a price range that everyone can afford.

I am not saying that a manufactured house is the best answer for everyone trying to buy a house at today's inflated prices. What I am saying is that for those who can't afford the conventionally built house, there is an alternative.

PAUL A. ROMANS, CAE
Executive Director
Wisconsin Manufactured
Housing Association
Madison, Wis.

I believe you missed a point. Over the long haul productivity per employee in construction has increased less than three tenths of one percent annually while wage rates have soared an average of six percent.

The idea that people must be paid more for less output will increase prices everytime.

Homes would be less than \$5,000 if the fruits of American productivity had been passed on to buyers in lower prices instead of to workers in huge wage increases. Everyone would have gained, including construction workers, who would pay less for everything they buy.

C. F. DOCKSTADER
Yucaipa, Calif.

Mr. Fanning's advice

The article on National Labor Relations Board Chairman John H. Fanning ["The Man Who Heads NLRB Now," September] evoked a little nostalgia on my part. I served under his

leadership in the Pentagon during the Korean War period.

He was recognized by all of his colleagues then as a superprofessional bureaucrat, and he proudly claimed the title of bureaucrat in its best

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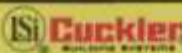
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sense. John would do things such as stay up all night to avert a labor dispute which would affect military procurement, and then send a long memo to almost every flag officer in the Pentagon about how the strike was avoided—at the same time giving full credit to his colleagues who were involved.

That is true genius in the best tradition of bureaucracy.

When John was clearing out his desk to move up to director of labor relations for the Defense Department, I was present as he drew numerous hefty files from his desk drawer and put them in the to-file box with a notation: "Resolved by the passage of time." He explained to me, and it has stood me in good stead since, that there are always problems for which there is no satisfactory solution at the time, but if one will just leave them alone, most of them will go away.

WILLIAM F. LUNCH
General Counsel
National Society of
Professional Engineers
Washington, D. C.

Due to the halo you inscribed, my family was not quite sure they recognized me in your article. But, they conceded, it was a fine profile.

I agree. It was well thought out and well written.

JOHN H. FANNING
Chairman
National Labor Relations Board
Washington, D. C.

A federal sales tax?

With all the controversy over changes in the tax structure, it seems to me there is a simple solution to our nation's tax problems—a federal sales tax that would replace the income tax and the Social Security tax.

If such a change were made, this country would be put on its feet financially because money withheld for income tax would be kept in circulation.

It is a known fact that, every time a dollar is spent in a community, it turns over seven times before it stops. This turnover can take place within a one-week or two-week period.

Each dollar not withheld for income tax would earn five cents for the government each time it turned, making a total of 35 cents in tax revenues.

The government would not have to wait a whole year for earnings which are not withheld.

This nation could easily run on a five percent federal sales tax. It would allow plenty of money for the Social Security Administration and every other agency.

By putting additional money in circulation, there would be more funds in the banks, which would allow lower interest rates to be charged. More and better houses would be built, and unemployment would decrease.

And this tax would hit people who have never paid taxes and never will, unless a plan like this is enacted.

HASSAN MOHAMED, JR.
Owner
White's Auto Store
Belzoni, Miss.

Dissent on New York

The "Lessons of Leadership" article on Robert Sherman Hatfield of The Continental Group ["How Bob Hatfield Keeps Continental Growing and Prospering," September] was a good one. However, we would like to register a polite dissent to his comment on "people not wanting to come to New York." We have people coming every day.

JAMES F. O'DONNELL
National Health & Welfare
Retirement Association, Inc.
New York, N. Y.

Best sales tool

Re your "Executive Trends" item, "Ten Ways to Boost Sales" [September], the most important selling tool of all is the company you represent. In my opinion it represents 90 percent of the ball game.

A top company makes a good product, keeps delivery schedules, follows up on errors, pays commissions on time—in general, has a high degree of integrity.

Any average salesman with this type of firm behind him will do better than a top salesman with a mediocre firm. The "Ten Ways to Boost Sales" do have an impact, but you need the top company.

PHILIP A. BELSKY
Brooklyn, N. Y.

Preparing for drought

You appear to be convinced ["Water: The Next Resource Crisis?" September] that there cannot be still another dry winter.

It is impossible to predict nature, and the possibilities of dry winters

are great. Also, two or three years of above-average rainfall could indeed solve the water shortage problem, but how often have we seen rainfall become so violent that communities were unable to escape the damage caused by rampaging streams and rivers?

Congress must initiate a program immediately to build water storage areas and connecting pipelines if required. These can be built now far less expensively than during our next period of drought.

These areas would provide beauty and recreation which are so essential in our rapidly changing environment. There should be no doubt that relying on nature to provide necessary water requirements would seriously affect our nation's economy in years to come.

WILLIAM F. BOSCOE
Director of Purchases
Atlas Minerals & Chemicals Division
ESB Inc.
Mertztown, Pa.

Managing land-use

Your article, "A Federal Voice in Private Land-Use: Two Views" [August], leaves me with the impression that opponents are perpetuating traditional American myths and advocates are reacting to administration actions rather than acting in response to existing conditions.

One of the most cherished myths is that not only is a man's home his castle, but that private ownership of land is absolute, and that a landowner may do as he pleases with his property without interference from any level of government.

Such interference may consciously or subconsciously be resented, but the truth is that land has always been subject to governmental regulation when the object of the regulation is to protect public health, safety, morals, or general welfare.

Perhaps we would be better advised in enacting such legislation to use the term land management rather than land control.

Fixed plans inevitably prove to be wrong in a rapidly changing situation. Clearly, what is at issue here is a question of balance, and I would enthusiastically support a federal policy that would manage change rather than attempt to control it.

WILLIAM MATTISON
President
Design Consortium, Inc.
Glen Ridge, N. J.

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A Weapon Against Abuse of Government Power

AS THE STORY IS TOLD in the First Book of Samuel, David took a smooth stone from his shepherd's bag and slung it. He smote the Philistine in the forehead, whereupon the Philistine fell upon his face to the earth. David then cut off the giant's head, and that was that.

The tale of David and Goliath eternally reminds us that it is possible for the little fellow to topple the big fellow, that now and then you can beat City Hall. Such victories are the exceptions. Far more often than not, bureaucratic Philistines impose their will. It is high time, it seems to me, to even up the odds.

This is a proposition I have been thinking about for 35 years, since I first began to cover government agencies as a young reporter. There is something awesome in the sheer power of the state. Behind an agency's mandates lie the great powers of sovereignty—the power of eminent domain, the power to tax, the power to regulate, and, to get to the point, the power to sue. Once this massive weight is brought to bear upon the small businessman or the individual citizen, the game ordinarily is over before it truly begins. A method ought to be devised to whittle the Goliaths of government down to size.

THESE REFLECTIONS came back to mind late in August, when U. S. District Judge John H. Pratt handed down a stinging decision in the case of Copeland v. Martinez. The case involved a black woman, Barbara Copeland, who worked in the Office of Human Rights of the Community Services Administration. She went to work in 1969 as a GS-5, and by the time of this litigation against her supervisor, charging she was the victim of discrimination, she had been promoted to the grade of GS-11. Throughout her employment, Judge Pratt noted, Ms. Copeland had filed complaints of discrimination; she seemed always to have a grievance or to threaten to file under grievance procedures. She used the Equal Employment Opportunity process as a club.

The evidence demonstrates conclusively, said Judge Pratt, that Ms. Copeland conducted a vendetta against her supervisor and other members of management, harassing them by virtually every means available to her. The suit against her boss was the culmination "of a long series of intentionally vindictive and abusive actions taken to harass her superiors." Her allegations of discrimination were "baseless and frivolous." She had acted "vexatiously, maliciously, and in bad faith in bringing and maintaining this action." She had intentionally abused the judicial process.

Then came the cruncher. Though attorneys' fees ordinarily are not recoverable by the prevailing parties in American litigation, Judge Pratt ordered Ms. Copeland to pay "the costs of this litigation, including reasonable attorneys' fees." Judge Pratt said he was



PHOTO: WIDE WORLD

relying upon "equitable considerations, implicit in the American rule."

The case of Barbara Copeland prompts a rhetorical question: Why shouldn't the Copeland Principle be applied in reverse? If a government agency abuses the judicial process by bringing a baseless, malicious, vexatious, and frivolous case against a citizen or small businessman, shouldn't the same kind of remedy be available? It seems so to me.

Let me trot forth a few examples of the kind of thing that comes to mind.

IN MAY of 1976 a four-car accident occurred in Toledo.

It was one of those bump-bump-bump, rear-end affairs; nobody was hurt; damage was slight. But in the middle of the procession was a van owned by Gogolin & Sons, fuel oil dealers. When the van was hit from behind, its gas tank sprung a seam. Two gallons of gasoline—two whole gallons!—leaked onto the roadway. The fire department flushed the gas into a nearby drainage ditch.

That should have ended the incident, but by ill chance a Coast Guard inspector happened to pass by. The inspector formally charged the innocent Gogolin driver with "polluting the waters of the United States." The Coast Guard threatened the company with a fine of up to \$5,000. The Gogolin company had to hire a lawyer and waste the time of its top management in resisting this silliness. The charge was palpably frivolous. Question: Shouldn't Gogolin have been able to recover its costs from the Coast Guard officers who harassed the company?

Several years ago the Consumer Product Safety Commission threw its weight against the Marlin Toy Products Co., of Wisconsin. The company's two best-selling items were toy balls that rattled as they

rolled. CPSC found the toys unsafe and ordered some changes made. Marlin made the changes, precisely as required, but it took eight months for CPSC to remove the toy balls from its list of banned products. Meanwhile, toy buyers shunned the items. The company went into reorganization. The commission admitted it had blundered; there had been an "editorial error." Question: Shouldn't Marlin have been able to recover from the bureaucrats who made the bonehead mistake?

IN THE SUMMER of 1974 CPSC descended upon the Bradley Import Co., of Los Angeles. Over the preceding 12 years the company had been importing large ornamental dolls from the Far East. These dolls were not intended as children's toys; they were not meant to be dressed or undressed; the Bradley dolls did not cry or blink their eyes; neither did they move their limbs or wet their pants. These dolls were sold not in toy shops, but in gift shops, at prices up to \$75.

Alas, the dolls had pins in them, the better to hold the elaborate costumes in place. In the whole of the 12 years no one ever had complained to Bradley of being stuck. CPSC had no complaint about these pins, either, but the commission's regulation was explicit: Pins could not be used in "any doll, stuffed animal, or other similar toy." So on July 9, at the peak of the Christmas buying season for retailers, CPSC cracked down. Without preliminary hearing or warning, federal marshals raided the Bradley warehouse and confiscated 80,000 dolls.

It was September before the case could be tried in a U. S. District Court. The presiding judge at once threw it out. It was perfectly plain, said the court, that the dolls were never intended for use by children. A U. S. Circuit Court agreed. But commission lawyers, chagrined by their defeat in Los Angeles, grimly prosecuted a similar charge they had brought against Bradley in Ohio. That charge also was instantly dismissed by a federal judge. Meanwhile Bradley had lost \$600,000 in sales. The firm had been put to staggering legal expenses. Only an emergency loan kept the company afloat. Question: In elementary justice, shouldn't Bradley have been able to recover from the commission and its lawyers?

ONE OF THE LEADING offenders in this regard is the Occupational Safety and Health Administration. As the Carter administration implicitly has acknowledged, OSHA bureaucrats many times have abused their authority by Mickey Mouse complaints against manufacturers. President Carter wants this petty harassment to stop. Such abuses would indeed grind to a screeching halt if it were possible for aggrieved employers to recover court costs and attorneys' fees from the nit-picking inspectors.

For yet another example, consider the 39-year war waged by the Food and Drug Administration against Roux Laboratories, makers of Roux lash and eyebrow tint. FDA began its harassment by seizing some of Roux's products in 1938. The company resisted, and FDA lost in court in 1939. FDA lost again in 1942. In 1968 FDA launched another seizure proceeding; it took six years to get this one to trial. FDA lost again. On May 17, 1974, FDA tried once more. In January of 1977 that case came to trial in California. A jury returned a unanimous verdict in favor of Roux. The company has been compelled to spend millions of dollars defending

itself through four trials. If willful, malicious harassment could be proved, why shouldn't Roux recover?

One more example may suffice. In the spring of 1974 a small manufacturer in Manassas, Va., the Georator Corp., undertook to fill a vacancy in the job of secretary to the manager of marketing and sales. Half a dozen women were interviewed. One of them was hired. Three months later a disappointed applicant, a married woman identified as Mrs. Jane Doe, filed a complaint with the Equal Employment Opportunity Commission. She charged Georator with unlawful discrimination on account of sex. The company asked EEOC for details.

Nearly two years later, in the spring of 1976, EEOC got around to replying. In the meantime, it appeared, Mrs. Doe had all but abandoned her complaint. She had acknowledged that the company had not denied her employment on account of sex. Nevertheless, she felt she had been "rudely interrogated." She had been asked, forsooth, if she were pregnant. Horrors!

In the fall of 1977 this asinine litigation still is pending. The Georator company has been hit by all manner of subpoenas, demands, and time-consuming maneuvers. No end is in sight. The question arises one more time: Would EEOC have pursued any such frivolous litigation if EEOC lawyers knew they themselves might be held personally responsible for Georator's counsel fees and court costs?

It is not only the private employer who suffers from the abuse of power. In Sanford, Fla., the city government in June wearily signed a \$9,000 consent agreement rather than fight a tenuous EEOC prosecution. Lawyers for EEOC had threatened the city with loss of all its federal aid if the city failed to surrender. It wasn't worth the risk.

WHAT I am suggesting is that something akin to the law of false arrest should be enacted as a shield against power-happy bureaucrats. Ordinarily a police officer is immune from successful suit; he is protected by ancient rules descending from the doctrine that the king can do no wrong. This is all well and good. But if an officer brutally assaults a suspect in making his arrest or recklessly shoots to kill, the officer loses his immunity. He becomes personally liable for the wanton abuse of his power. And this is well and good, too.

Under existing federal law, I am advised, it is possible for a citizen to sue the government only on matters of tort liability. If a Postal Service truck causes damages, the Postal Service can be sued. But the general rule is that there can be no suit for errors of judgment, no matter how frivolous, malicious, vexatious, or wanton these errors may be. Government prosecutors in regulatory agencies may impose crushing burdens upon others; they themselves cannot be touched.

Former Sen. James L. Buckley, of New York, tried last year to get a reverse Copeland Principle written into federal law. He achieved only limited success in an amendment applying temporarily to the Consumer Product Safety Commission. New efforts should be made. Within the regal ranks of the federal bureaucracy, kings do indeed do wrong, and innocent persons suffer because of their arrogance. The American ideal is equal justice, but the victim of bureaucratic harassment isn't getting it now.

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THE WORLD OF INDUSTRY

Union Boycott of Company Hurts Thousands of Workers

What happens when a company is hit by a national boycott by labor unions?

Results could be disastrous, with workers supposed to be helped by the boycott winding up as losers, says Richard P. O'Brecht, an attorney with the Washington law firm of Thompson, Mann, and Hutson. He points to the AFL-CIO boycott of the Farah Manufacturing Co. as an example.

The current No. 1 organizing target of the AFL-CIO is J. P. Stevens & Co., Inc., a major Southern textile firm. A nationwide boycott of Stevens products was launched in July, 1976. Last September AFL-CIO President George Meany, after holding a conference with textile union leaders from Canada, Mexico, Australia, New Zealand, France, and Japan—nations where J. P. Stevens has plants—announced the boycott was going international.

Thus far, Stevens officials say, the boycott has been ineffective.

Mr. O'Brecht paints a different picture for the Farah boycott, which began in August, 1972. At that time the firm operated nine plants in the El Paso and San Antonio, Texas, areas. The plants had 9,500 employees—all nonunion—who turned out 144,000 men's and boys' garments every day. Sales in the year prior to the boycott amounted to \$164.5 million.

After the boycott, which ended in February, 1974, Farah had three plants in operation with 6,500 employees turning out 42,000 garments daily. Sales last year amounted to \$137.3 million.

Stockholders suffered too, Mr. O'Brecht points out. Farah stock sold in the \$19 $\frac{1}{4}$ to \$49 $\frac{1}{4}$ range before the boycott. Earnings per share of invested capital were among the highest for domestic corporations. But the boycott tumbled Farah shares in value. So far this year their price on the New York Stock Exchange has ranged from \$2 $\frac{1}{4}$ to \$6 $\frac{1}{4}$.

Nor did the textile workers union win, either.

Estimates vary, but it is believed that the union spent approximately \$4 million on the boycott campaign. In all, 5,500 new members were gained. Based on a dues level of \$3 per month, the union will need about 20 years to recoup the cost of acquiring the new members.

Certainly, the employees did not profit from the protracted strike.

When a contract was negotiated, the employees gained an increase of 80 cents an hour over three years. But 60 cents of that amount would have come to the lowest income workers anyway, because of a 1974 amendment to the Fair Labor Standards Act.

"To those who struck for 18 months," says Mr. O'Brecht, "the 20 cents gained for them by the unions must have seemed like small compensation."

But at least those people had their jobs. Two thousand others had to be trimmed from the Farah work force between 1972 and 1974, when the boycott was reducing demand for the company's products. With competing companies taking over a slice of Farah's share of the garment market, the work force has never regained its former size. In fact, another 1,000 employees have been dropped since 1974 because of lagging sales. •

Laser Used in Making Cigarette Filters

The exotic laser, used for a variety of manufacturing applications in recent years, has now been called on to precisely punch holes in cigarette filters.

Liggett & Myers Tobacco Co., Inc., is using lasers in manufacturing a new low-tar, low-nicotine product called Decade. The company claims to be the first to substitute lasers for mechanical punches to perforate filters.

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of the holes so you can have a balanced, even draw," says K. V. Dey, chief operations officer of Liggett & Myers. "Mechanical perforations can't be controlled precisely."

Robert Kersey, the firm's director of research, says the new filter was not developed overnight. Matching laser technology with cigarette production methods took ten years, he says. Hence the name of the new cigarette. •

Record Sales Seen for Metal Buildings

Manufacturers of metal buildings expect shipments of their product this year to total about one billion tons. This would represent a 15 percent increase over 1976 and break a record set in 1974.

Metal building sales have increased at nearly three times the pace of the nonresidential construction industry as a whole in recent years. Between 1965 and 1974 sales volume increased 327 percent, compared with a 98 percent growth for the entire nonresidential construction industry.

The most phenomenal growth occurred during 1970-1974, says Marvin R. Britain, vice president for sales of Southern Structures, Inc., Lafayette, La. "Our industry sales grew 172 percent, or 43 percent annually," he says.

Mr. Britain also notes that while 1975 was the industry's second largest sales year, sales were down about 40 percent from 1974. In 1976 sales were up 22 percent. With the anticipated 15 percent increase this year, Mr. Britain says, "things look pretty good again."

According to the Metal Building Manufacturers Association, metal building systems today account for roughly 20 percent of the total low-rise, nonresidential construction market and are used in virtually every segment of the market. •

Uncle Sam's Latest Shopping List

The federal government has announced a new quarterly list of products it wants to buy, and it is looking for suppliers in a continuing program to open more doors of opportunity for businesses of all sizes.

These are the products on the latest list from the General Services Administration:

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continued on page 98B

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Should We Turn the Canal Over to Panama?

IT IS AXIOMATIC in American politics that domestic problems almost invariably outweigh foreign issues in generating interest among the citizenry.

The Panama Canal issue is one of the exceptions.

Should the U. S. Senate ratify two treaties signed by the heads of the American and Panamanian governments, or should it refuse ratification?

Broadly speaking, the treaties gradually turn over ownership and control of the canal to the Republic of Panama by the year 2000, with the U. S. maintaining permanent rights to protect the waterway and to use it unimpeded. [See "Panama Canal: What Happens Next," NATION'S BUSINESS, October, 1977.]

Those who favor ratification say:

- Under the 1903 treaty between the new Panamanian republic—which

the U. S. helped to create—the U. S. did not get the ten-mile wide Canal Zone as sovereign territory nor obtain the right to hold the zone in perpetuity.

- America's presence in Panama is imperialistic and anachronistic.

- The only way to assure passage for our shipping and avoid guerrilla warfare by the Panamanians is to gradually give title to the republic. The zone cannot adequately be defended against such warfare.

- Seven consecutive administrations in Washington—four Democratic and three Republican—have favored renegotiation of the original treaty.

- Ratification would not cost American taxpayers any money. Income to Panama would derive from canal tolls.

The antirratification people say:

- Despite having Pacific and Atlantic fleets, the U. S. Navy needs to

control the canal. Only a few aircraft carriers are too large to clear the locks.

- Panama is politically unstable and its current leader, Brig. Gen. Omar Torrijos Herrera, is a left-winger who is overly friendly with Cuba's Fidel Castro and other communists. Panama could not be expected to operate the canal responsibly or efficiently.

- The zone is defensible.

- America got the zone in 1903 in a fair deal, built the canal, and opened it in 1914. Therefore, the canal is sovereign U. S. property in perpetuity.

- To give up the canal would be another sign that America is in retreat in the world and can be pushed around by even the smallest of countries.

There are many other points on both sides of the issue. The Senate is expected to reach a decision next year.

Should the U. S. turn the canal over to Panama?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Kenneth W. Medley, Editor
Nation's Business
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Should the U. S. turn the canal over to Panama?

☐ Yes ☐ No

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A Tough Stand on Paving the Way for Unions

LAST MONTH, by a vote of 257 to 163, the House approved amendments to the National Labor Relations Act that would make it easier for unions to organize workers.

The legislation now goes to the Senate, and labor leaders say chances of its approval have been boosted considerably by the House action.

But a "Sound Off to the Editor" survey of NATION'S BUSINESS readers shows a wide difference in sentiment from that expressed in the House.

"The laws and the way they are applied are weighted too heavily in favor of organized labor now. Employers should not be stripped of the few protections left to them, and employees should be protected in their rights."

This comment from H. Charles Korn, a New Orleans attorney, is typical of responses to the September "Sound Off to the Editor" question: "Should it be made easier for unions to organize workers?"

An overwhelming majority of respondents vote no.

Says Rodney W. Baker, manager of Day's Pharmacy, Winters, Calif.: "The unions have enough strength to severely cripple the entire country anytime they desire."

Some respondents argue that unions have outlived their usefulness. "The American worker rejects domination by either employer or unions," says A. Val Bradley, president of A. Val Bradley Associates, Inc., New York. "The original exploitation of the worker by a then-unenlightened management has been replaced by the greed of an anachronistic union leadership."

L. J. Knippa, a plant manager for The Celotex Corp. in Houston, says that "workers are serving unions instead of unions serving workers. Unions can only survive through government support of legislation favoring easier organization."

W. R. Werner, director of government relations for CertainTeed Corp., Valley Forge, Pa., says: "CertainTeed is aware of the problems faced by unionized labor, with its diminishing representation and loss of members. The power grab initiated by H. R. 8410 and S. 1883 may be a desperation move on the part of big labor

to reverse its membership problems."

Many respondents attack a provision in the legislation that would allow union organizers equal access to employees during working hours on company property if the company uses working hours to campaign against unionization.

Jimmy C. Carter, operations manager of Billings Transfer Corp., Lexington, N.C., says: "It is not reasonable to expect business and workers who are not sympathetic to unions to subsidize union activities."

L. A. Bowman, president of the Poly-Scientific division of Litton Systems, Inc., Blacksburg, Va., says: "Organizers can visit employees in their homes. Allowing union organizers equal time at business expense is ridiculous."

Also, a provision that would speed up the representation election process is

union membership on taking his managerial position. He says: "I favor unions, but the problems they are having are ones they created themselves."

Taking a middle ground is J. Robert Graves, president of Main Line Sales and Rentals, Paoli, Pa. He says: "There is nothing wrong with workers' organizations if they work toward the mutual good of the company, its customers, the neighboring public, the national economy, and the employees. We should encourage organization but control the purpose to fit the above guidelines. Also, management cooperation should be commonplace in achieving these joint goals."

On the minority side is Thomas T. Taber, vice president of George E. Logue, Inc., Montoursville, Pa. He says that the odds favor "an astute management" and that unions ought to be given



James F. Rand, Ph. D., director of industrial relations for U and I, Inc., Salt Lake City, says a speedier election process "would hinder an employee's right to make an informed decision on union affiliation."



Arthur A. Howard, president of Howard Oil Co., Ispheming, Mich., is on the minority side favoring easier union organizing but opposes "making it easier for unions to control the whole U. S. labor force."



Louis P. Kadubic, Jr., owner of Meyers' Liquor Store, Plainfield, N. J., says unions once were needed but now "are too strong and are hurting the economy with their demands." He adds: "It's time to unorganize."

thought to be unreasonable. Charles L. Heath, vice president of Skinner's Automotive Center, Kinston, N.C., says: "In most voting situations, such as public elections, bond issues, etc., the public has from six months to a year to weigh the issues. Why should union organizers expect faster service?"

One response on the majority side comes from a union member. James R. Bright, a manager for Valley Steel Products Co., Cairo, Ill., chose to maintain

a better chance to win an organizational election.

However, David A. Martin, product manager for the W. H. Brady Co., Milwaukee, says: "In 1877 there was a need for organization and solidarity of labor. Slowly the pendulum swung that way. In 1977 we need to retard the pendulum's swing. England ignored this, and we now see that the pendulum of English labor organization has smashed the clock." □

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Tax Outlook:

PRESIDENT CARTER'S tax-reform plan, to be announced this month, is already being hailed by administration officials as a bonanza for most taxpayer groups, including the business community.

The White House says the far-reaching proposals not only will ease the tax burden on individual wage earners, but will "cut business taxes and stimulate investment."

Veteran private-sector experts on business taxes are warning, however, that the Carter plan will nevertheless contain many potential pitfalls for companies and investors and should be approached with extreme caution.

Business and professional people should consider the overall impact of the tax proposals, these experts say, and not rush to support the plan because some of its provisions appear to provide near-term benefits.

Business will be heard

The House Ways and Means Committee is to open hearings on the President's tax program shortly after it is announced, but congressional floor action is not due until well into the 1978 session.

While the Carter plan will be the focal point of deliberations by Ways and Means and the Senate Finance Committee, the congressional tax-writing committees will also consider proposals from a wide range of business organizations; organized labor; charitable and educational groups; tax specialists; and individual members of Congress.

There is no doubt that business intends to make itself fully heard.

William K. Eastham, chairman of the board of the Chamber of Commerce of the United States, reports: "In travels around the country today, the main message that comes through loud and clear—especially from small businesses—is that the three big issues are tax reform, tax reform, tax reform."

In his capacity as top elected official of the National Chamber, Mr. Eastham has launched the "Grass Roots Action Program." He is meeting with business leaders in many cities to urge them to take a more active role in making Washington aware of the business position on legislative issues.

Mr. Eastham, who is president of S. C. Johnson & Son, Inc., of Racine, Wis., is also seeking the business leaders' opinions to assist in the formulation of National Chamber policies.

Business concern over the potential impact of the Carter tax proposals quickly became apparent during the early stages of his grass-roots project, Mr. Eastham says.

Principal elements expected in the President's tax plan include reductions in individual and business tax rates, an increase in the investment tax credit for business, restrictions on foreign tax credits, on Domestic International Sales Corporations, and on deferral of foreign-source income, a reduction in double taxation of corporate dividends, capital gains taxation at ordinary income rates, limits on deductions for nonbusiness interest payments and for certain state taxes, withholding of taxes on bank interest, further restrictions on tax shelters, a limit on deductions for business meals and other expense account items, substitution of a \$250 credit for the present \$750 income tax exemption for each dependent, and curtailment of deductions for medical and casualty expenses.

Business in general and individual trade groups have already voiced sharp opposition to anticipated presidential proposals viewed as anti-investment, anti-incentive, or anti-foreign trade.

What is reform?

And there are more fundamental differences between the business community and the administration over revision of federal tax law.

Official proposals for changes in the Internal Revenue Code are traditionally offered under the catchall

label of tax reform. The implication is that anyone opposing a particular plan wants to preserve inequities that serve a narrow economic interest.

But one of Washington's top business-tax specialists, Robert R. Statham, points out that "tax reform means different things to different people." Business must be prepared, he says, to counter official tendencies toward describing as a reform every tax-law change designed to penalize business and upper-income taxpayers.

Mr. Statham, who is tax and finance manager for the Chamber of Commerce of the United States, adds: "Many people think tax reform is simply shifting the burden from those in the lower-income brackets to those in higher brackets, and a lot of politicians encourage that idea."

"Genuine tax reform consists of changes that actually improve the tax system; it is not something that should be done with the single goal of shifting tax burdens from one group to another."

Don't be caught napping

Government officials tend to present tax-reform packages in terms of something for everybody, Mr. Statham points out, "and a lot of people, including those in business, sometimes do not realize until it is too late that there are losers as well as winners in all of these so-called tax-reform packages."

"The politicians like to emphasize the winners, and most of the general press publicizes the major items that deal with cutting taxes. The ones in fine print that don't get the attention are usually the ones that hurt business the most."

Mr. Statham has this message for business: "Remember that anybody can be a loser when it comes to a big tax-reform package. Congress feels it can pass a lot of things in a complicated plan that it could not pass as separate legislation which would be closely examined by the public. To protect themselves, busi-

HIDDEN TRAPS FOR BUSINESS

ness people must keep aware of what is in the entire tax package as it is considered next year."

Breakdown of issues

Here is the way Mr. Statham, who will be one of the business community's principal spokesmen during the deliberations on the Carter tax package, sees areas of particular concern to business:

CAPITAL GAINS

While the President is leaning toward abolition of preferential tax treatment for capital gains, the real answer is a gradual reduction in taxes on capital gains over the life of the asset, taking inflationary increases into consideration.

Present law recognizes that higher valuation of assets frequently reflects inflationary gains, rather than a real increase in value. President Carter's approach not only would discourage future investment, but would aggravate an existing problem under which investors find that inflation and capital gains taxes make it difficult for them to sell stock and realize enough to invest in other corporations, including new companies. The price of discouraging investment is loss of job opportunities.

DOUBLE TAXATION

Business welcomes proposals to reduce double taxation of corporate income, but relief should not be offered as a trade-off for removing preferential tax treatment from capital gains.

The procedure under which corporate profits are first taxed to the company and then to the shareholder when distributed as dividends is an inequity that should have been eliminated long ago. Ending this inequity would offer an incentive to more people to invest in American enterprise. It would have a positive impact on business large and small, on the securities markets, on capital formation, on jobs, and on the overall economy.

Relief from the double taxation can be achieved in different ways. One is to allow the shareholder a tax

credit based on the rate paid by the corporation disbursing the dividends. This would be a complex method, requiring the shareholder to compute the credit for every company paying him dividends. A more practical approach would be to apply the same effective corporate tax rate to all dividends.

TAX SHELTERS

A great many of these were put into the law specifically to encourage certain investments by business people. Take the real estate provisions of tax law which are under fire. In all probability, numerous major apartment houses and commercial buildings would not have been built without these tax deductions. If the deductions were removed, the losers

"Many people think tax reform is simply shifting the burden from those in the lower-income brackets to those in higher brackets."

would not only be real estate investors, but construction companies and suppliers that provide millions of jobs related to the real estate industry.

MUNICIPAL BOND INTEREST

This area provides a good example of how politicians who say they support tax reform don't tell their constituents what the real impact would be. If local and state governments had to compete with private issues in the bond market, these governments would have to pay much higher rates of interest.

As a result, there could be heavy increases in property and other state and local taxes. The taxes would be borne by all property owners and

other taxpayers in all income brackets, so everybody would pay for elimination of the tax deduction on municipal bonds, not just the people who purchase them.

In addition, opponents of tax exemption for municipal bonds like to claim that people who invest in these bonds are getting some kind of magnificent tax break. The fact is, the return on such bonds is often smaller than that on corporate bonds. Take away the exemption, and investors will not buy the government bonds. Needed improvements in state and local government facilities then will not be made, and the big losers in the long run will be people in the lower income brackets who make the greatest use of these facilities.

One alternative to tax exemption that has been advanced is to make municipal-bond interest subject to regular taxes but give the issuing authority a federal subsidy to help pay the higher interest rates. State and local governments wanting to retain their autonomy should not support this kind of package, which would provide another opportunity for the federal government to encroach on their rights.

INVESTMENT ABROAD

Present law gives American companies a credit against U. S. taxes for taxes paid to the host countries of their foreign operations. This credit is a favorite target of people who think tax reform means making business pay more taxes.

The important element in the foreign tax credit, however, is the substantial number of American workers whose jobs depend on sale of American products abroad.

To have U. S. companies taxed both by the foreign countries in which they operate and by their own government would be the worst kind of double taxation of the same income. It could force these companies to eliminate part or all of their activities abroad. The real losers would be the American workers whose jobs were abolished as a result.

The concept of American invest-

ments abroad being a source of employment in this country is a difficult one to get across to the public. As a consequence, politicians have had a field day suggesting that businesses go abroad only because of some loophole in our tax laws, when the fact is that foreign branches are making an important contribution to the American economy. Similar points can be made for allowing deferral of taxes on foreign-source income until it is returned to this country. Restrictions here would hurt the overall economy.

"Remember that anybody can be a loser when it comes to a big tax-reform package. . . . Business people must keep aware of what is in the entire tax package."

WORKERS ABROAD

Our tax laws have long recognized that U. S. companies frequently have difficulty finding qualified employees to staff their facilities abroad. Foreign jobs often require Americans to leave their country for long periods and to take their families to areas where living conditions and education are below American standards and where security might even be a problem. Such workers do not receive most of the government services that taxpayers at home do.

Until last year, in recognition of these factors, tax law provided Americans working in foreign countries with an initial exclusion of up to \$25,000 of income against taxes due the United States. The 1976 tax law cut the amount back to \$15,000.

As a result, many Americans whose services are needed abroad have come home or are contemplating doing so. The inequity imposed on these workers should be a matter of major concern in the 1978 tax deliberations, and fairness should be restored. These workers are making an important contribution to the domestic economy. Loss of their services could mean loss of sales opportunities for American-made products or products made in other countries with American-made components.

INTEREST LIMITS

A ceiling on the maximum tax de-

duction that should be allowed for nonbusiness interest is another proposal expected in the presidential plan.

Those who call for a ceiling of around \$10,000 say this level would affect only the well-to-do. Here again is a case where there might be many more losers than appears on the surface.

One example given to show that only the well-off would be affected is the family with a \$100,000 mortgage at nine percent on a \$115,000 home, in addition to other loans that push

total interest above \$10,000. A \$115,000 home might appear to be beyond the reach of most Americans. But there are people all over this country who paid around \$35,000 in 1967 for houses that are selling for around \$75,000 today and will be selling for more than \$100,000 ten years from now. Take the interest that will be paid on mortgages of these and even less expensive houses, add that paid on loans for automobiles, household goods, and other things, and it will not take long to reach a \$10,000 cap.

Most Americans still believe strongly in the American dream—the idea that we can work and save and someday buy a home, or a better home, and the other things that go with a higher standard of living. Many people will be discouraged from making these investments if they cost more because of loss of the interest deduction.

Also, of course, the economy will suffer. The home-building industry is an important part of the economy.

WITHHOLDING ON INTEREST

Such proposals ignore the fact that many people, particularly among the elderly, depend for living expenses on prompt payment of interest on savings. If, as is being discussed, 20 percent of the interest payments these people receive is withheld for income tax, many of them will be saddled with the burden of filing for

refunds that may take weeks or months to get.

Essentially, such blanket withholding would provide government with more working capital at the expense of the retired population.

BUSINESS MEALS

We hear a great deal from politicians who claim that allowing a deduction for the so-called three-martini lunch is a particularly glaring inequity in our tax system.

Anybody who had three martinis at lunch every day would be out of a job in pretty short order, of course, but the important consideration here is whether a meal is what the tax law describes as "an ordinary and necessary expense" in doing business.

The business lunch or dinner is an accepted method by which executives' workday is lengthened by an hour or an hour and a half, and companies—and their employees—benefit from the additional time these executives give to their jobs. There is no question that major business decisions are made at business meals.

Another consideration is the fact that curtailment of the deduction for business lunches and dinners would have great impact on downtown restaurants that employ many workers who could not find other jobs.

Basic guidelines

Mr. Statham says that, while many other proposals for tax changes have been and will be advanced, business people can maintain a good overall perspective if they use certain basic guidelines:

- Remember that there is much more to tax legislation than appears in the daily news media. The fine print that doesn't get reported usually has the greatest impact on business. Business organizations such as the Chamber of Commerce of the United States stand ready to keep business fully informed on developments.

- Realize that changes which reward some groups of taxpayers tend to penalize other groups. Make sure who are the real winners and losers in any tax proposal. The answers are often surprising.

- Tax laws are complex because we have a complex economy and a complex society. Tax simplification, such as elimination of deductions, can cause inequities. Do not assume that all simplification is necessarily desirable. □



Have you ever seen a grown man cry?

Steel's Five Big Problems



COMPLEX PROBLEMS of a fine-tuned industrial society are descending on the American steel industry, which in the past 60 days has had to lay off or fire some 19,000 workers.

Concern over what to do immediately and in the long term is causing a king-sized headache for Congress and the administration, as well as for the hard-pressed industry itself.

"I wish this situation had an easy answer," says one government economist after reeling off some of the latest steel production and sales statistics.

The steel industry wants immediate relief in some form to reduce the amount of steel being imported into the U. S. for sale at what are claimed to be giveaway prices in relation to production costs.

For the long term, steelmen want a hard look taken at government regulations, policies, and practices which the industry contends are stifling its attempts to hold its own in world competition.

Call for import quotas

Some members of Congress in a hastily formed "Steel Caucus" are calling for rigid import quotas and tightened "Buy America" rules where federal dollars are involved.

But many in both government and business believe such action would invite retaliation in a world already beset with sluggish economies and at a time when negotiators in Geneva are struggling with the issue of international trade agreements which would be fair to all.

Opponents of new barriers to free trade point out that the U. S. is desperately seeking to expand its own exports. And while steel has problems which must be addressed, the fact is that the U. S. exported more than \$113 billion in goods last year. Iron and steel imports in 1976 amounted to \$4.5 billion, according to Bureau of Census figures.

The economics and the politics involved in the broad issues of foreign trade take a back seat for the thousands of workers who have suddenly



A gloomy future is mirrored in the faces of these workers leaving a Youngstown steel plant after learning 5,000 would be laid off.

seen their jobs eliminated as companies—earnings plummeting—have been forced to cut back.

Traumatic outlook

In more than a dozen cities and towns, steel plants have closed or are closing, and elected officials in these communities face a traumatic outlook. Closed plants mean a tremendous loss in the taxes on which community services have been predicated.

Many of the plants, such as Youngstown Sheet and Tube's 76-

year-old Campbell Works in Campbell, Ohio, on the edge of Youngstown, are old and lack modern equipment. Here some 5,000 workers got the word their jobs were going. Other major plant-closing announcements in recent days have come in New York, Pennsylvania, and elsewhere in Ohio.

In all, an estimated 60,000 steel workers are drawing special unemployment compensation under a provision of the 1974 Trade Act that is designed to help employees of industries disturbed by increases in im-

ports. Layoffs in the steel industry began earlier this year and have accelerated in recent weeks.

Administration, congressional, industry, and labor representatives met in Washington in mid-October to discuss the problems of the steel industry.

Five basic issues

Earlier, C. William Verity, chairman of Armco Steel Corp., outlined some of the industry's woes for a House Ways and Means subcommittee and argued that the solutions rested within five issues which had to be addressed. Said Mr. Verity:

- The government should vigorously enforce certain provisions of the 1974 Trade Act, particularly section 301, which deals with foreign countries which discriminate against the U.S. in trade.

- Energy, particularly the lack of a national policy aimed at increasing supply, is causing the steel industry major concern because, while its fuel costs are soaring, foreign competition is in effect getting government subsidization in this area.

- The high cost of pollution compliance mandated by laws is a heavy burden.

- Tax policies need changing to encourage capital formation which will enable the industry to have the tools it needs to produce and compete.

- The direct and indirect cost of excessive and overlapping government regulation is a big problem. Mr. Verity pointed out that a report by the Council on Wage and Price Stability had identified 5,600 regulations from 27 different federal agencies which affect the steel industry.

Treasury takes one step

The Treasury Department has already taken one step which the steel industry has hailed. This was a tentative ruling that five Japanese companies have been "dumping" specialized carbon steel into the U. S. market. Dumping, in this sense, is the export of a product at a price lower than the price in the selling country's domestic market.

Some critics of the steel industry claim its problems are cyclical ones that are partly of its own making, but many economists believe the real troubles of this basic industry are rooted in government actions taken at crucial points in time.

Dr. Jack Carlson, vice president and chief economist of the Chamber of Commerce of the United States, says the industry is suffering in part from the effects of price controls and government jawboning of nearly two decades.

When the industry, reacting to foreign competition, was trying to come up with more funds to modernize plants during the early 1960's, he says, "President Kennedy inaugurated wage and price guidelines and threatened and cajoled the industry into maintaining lower prices than were adequate.

"When price increases were fully justified under the Nixon price controls, those increases were not granted."



C. William Verity, chairman of Armco Steel Corp., says government can help steel by considering all issues involved.

ed, and modernization investment was put off during the early 1970's.

"Even though price increases were clearly needed to make modernization investments last year and this year, the Carter administration criticized increases and called for roll-backs, thus reducing the opportunity for the steel industry to attract funds."

Dr. Richard L. Lesher, president of the National Chamber, has called for major revisions in U. S. tax laws to encourage capital investment, not only in steel, but in other industries which need to modernize and grow.

Slice of U. S. market

Steel imports took about 16 percent of the American steel market in the first eight months of this year and have been on a sharp uptrend.

The figure was nearly 20 percent in August.

Rep. Charles A. Vanik (D.-Ohio) has urged President Carter to limit steel imports to 18 percent of domestic consumption, a figure some congressional and industry officials contend is far too high. There have been suggestions that a 12 to 13 percent quota is closer to what is needed.

However, the problem with quotas, many business and government officials contend, is that they spawn the seeds of destruction for all forms of trade.

President Carter, opposing quotas, has promised rigorous enforcement of current laws against unfair sales practices in this country by foreign steel manufacturers.

Robert S. Strauss, the President's special representative for trade negotiations, declares that one in six American jobs is related to the export of U. S. goods, and that the yield of one of every three acres of land in cultivation within the U. S. is earmarked for foreign markets.

Hope of increased exports

At Geneva, where a continuation of the Tokyo round of the tariff and trade talks is taking place, Alonzo L. McDonald, deputy U. S. negotiator, has expressed hope that U. S. trade with Europe will increase from \$40 billion to \$100 billion annually within the next decade.

Foreign officials contend their countries must export, too, in order to survive and fill the expectations of their own people.

Business generally favors voluntary agreements over mandated ones, and such a tack is among those proposed in the current steel situation.

Fresh thinking

It is generally agreed that the sluggishness of national economies, including that of the U. S., is a prime culprit for much of the \$36 billion-sales steel industry's current plight.

But no matter what the historic or immediate causes of the industry's problems are, there is a demand for action.

As Armco's Mr. Verity told the congressional subcommittee:

"The last thing we need at this time is more impassioned rhetoric . . . more finger-pointing. What we do need is some fresh thinking about steel's problems and how to solve them."

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Is Congress Becoming



Richard M. Scammon, a top political analyst, says all members of Congress are now independents, "some of them elected under one label and some under another."

Changing attitudes
on Capitol Hill
provide new hope
for business

ALMOST AS SOON as the Taft-Hartley Act was passed in 1949, organized labor made repeal of the act's right-to-work section a top legislative goal.

Year after year big labor was disappointed. The combination of enough congressional support and a President willing to sign repeal legislation proved elusive.

Last year big labor was confident that victory finally was in sight. Heavy Democratic gains in Congress scored in 1974 and retained in 1976 were expected to provide the support that the union leaders needed. And a Democratic President had been elected who had declared his willingness to sign a repeal bill.

Yet the drive to have Congress wipe out right-to-work laws enacted in 20 states under the authority of Taft-Hartley—laws that ban making union membership a condition of keeping a job—has gone nowhere. The AFL-CIO hierarchy has dropped repeal from its list of key legislative goals in the 1977-78 Congress.

New character of Congress

What happened?

Union leaders recognized that the legislation had almost no chance of winning approval from this Congress. The labor drive collided head-on with changes in the character of Congress that emerged from the turmoil of the Vietnam war and Watergate eras.

Overall, the most significant development is that the heavy gains the Democrats have made in Congress have not resulted in the liberal juggernaut that many business people feared. While business has suffered some setbacks on legislation, it has also made significant gains.

There is now at least a glimmer of hope that the pro-union, antibusiness, liberal forces that had such a strong impact on legislation in the past may be peaking in the face of economic and political realities.

Both outside observers and members of Congress agree that whatever moderating trends have appeared re-

PHOTO: BARRY CASTALONE

More Practical?



Rep. John E. Cunningham (R.-Wash.) won an upset victory in a special election, running as a conservative in a blue-collar district.

Congress is becoming more aware of public unhappiness with government overregulation, says Rep. Berkley Bedell (D.-Iowa), a businessman.



sult from voters' changing perceptions of government's ability to solve problems, population shifts that have increased the political strength of the sunbelt states and suburban areas in general, and revisions in the organization of Congress itself.

Weakened leadership

Richard M. Scammon, who is head of the privately funded Elections Research Center and one of the nation's foremost political analysts, believes one reason for the changing outlook in Congress is that today's members identify more with the concerns of their home bases and less with their congressional and party leaderships, both of which have been drastically weakened in recent years.

"Any undisciplined political organization tends to take on the political coloration of its members' home base," Mr. Scammon told NATION'S BUSINESS. "If no one leader is able to crack the whip to make members line up according to the party position on issues, each member develops his or her own sense of survival. And that survival is generally related to the demographics and economic concerns of the individual state or district."

Why is the theory that more Democrats in Congress automatically mean passage of more pro-union, antibusiness legislation proving no longer valid?

"Labor is strongest politically in the cities that have traditionally sent most of the liberal Democrats to

Congress," Mr. Scammon says. "The newer Democratic members are coming from suburban areas and small towns where labor has relatively little clout."

"As a result, each new increment of Democratic Party members in Congress tends to be less responsive to the labor-liberal philosophy."

Less doctrinaire

In fact, Mr. Scammon says, "except for a few screamers, there is far less doctrinaire ideology among newer members of Congress on both sides of the aisle. They are open to new ideas and more willing to work out problems on a practical basis than to start looking for villains to blame or to claim that government has all the answers."

Organized labor's disappointment on right-to-work is one of a series of developments that have given business some encouragement in its efforts to influence the course of events in Washington:

- The unions have suffered a series of defeats in votes on major legislation, beginning with a stunning upset on common-situs picketing. The House voted down legislation embodying this longstanding union goal—authorization for a single union on a multi-union construction site to close down the entire project with a picket line.

Since then organized labor has been rebuffed in efforts to establish an automatic escalator that would have guaranteed annual increases in the minimum wage; to have general revenue used to subsidize the Social Security program; to bring about election-law changes widely viewed as aimed at benefiting liberal candidates; to obtain collective bargaining rights, including the right to strike, for public employees; and to win prompt congressional approval of a costly national health insurance plan.

- Legislation to create a consumer protection agency as an added layer of bureaucracy in the government regulatory apparatus has



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bogged down for lack of sufficient support in Congress.

• Business representatives have been gaining ground—although they still have a long way to go—in winning a hearing for their arguments that excessive government regulation and resulting paperwork impose unnecessary costs that must ultimately be borne by the consumer. Sunset proposals, providing for abolition of government agencies that cannot prove they are needed, have been moving ahead in Congress with increasing support.

• Republican candidates pledging to seek a reduction in the size of government won three out of four special elections for the House of Representatives this year, defeating candidates perceived by voters as being more liberal.

• The strong sentiment among newer members of Congress against past U. S. policies in Vietnam had been expected to tip the balance against Pentagon budget requests. Sharp cuts in defense spending never materialized.

Loss of faith in government

Economic events of the past decade are viewed by Mr. Scammon and others as among the reasons why faith in government's ability to solve problems has been shaken.

As Sen. Orrin G. Hatch (R-Utah), a freshman member of the Senate, put it in a recent debate on economic issues, "One of the big arguments that the Keynesian economists have used in the past has been that, by deficit spending, we will increase the ability of this country to basically continue its forward momentum. In some ways, that appeared to be so during the 1940's, 1950's, and even part of the 1960's."

However, Sen. Hatch said, during the 1970's "deficit spending has resulted not in an increase in stimulation, but in an economy that is wracked with indecision, where nobody knows what is going to happen, where the stock market fluctuates almost uncontrollably and without any definiteness, and where we have had an increase in inflation that looks like it is almost uncontrollable."

A new philosophy

Among the newer members of the House of Representatives is Berkley Bedell (D-Iowa), one of 43 Democrats elected to the House in his party's 1974 post-Watergate surge.

His outlook is evidence that additional Democratic congressmen are not necessarily cast in a big-government mold.

Rep. Bedell, 56, started a fishing-fly business at the age of 15 in his northwestern Iowa hometown, Spirit Lake, with profits from a newspaper route. That venture evolved into Berkley and Co., a manufacturer of fishing tackle and marine supplies which has annual sales of about \$25 million.

In the House, Rep. Bedell was chosen president of the Class of 1974, an informal group of members who were elected that year.

Message from constituents

He told NATION'S BUSINESS that his group and those first elected in 1976 tend to be more objective and more open-minded about issues because "they were elected by people who were calling for change, and these members feel an obligation to keep in close touch with the people back home and not simply to yield to the wishes of the hierarchy of Congress."

To many of the newer members of Congress, Rep. Bedell says, the message from their constituents is coming through loud and clear: "They are against this proliferation of government forms and questionnaires, they think government regulation has gone beyond all reason, and they want something done about it."

Rep. John E. Cunningham (R-Wash.) won an upset victory in a special election in Seattle last May with a campaign emphasizing fiscal conservatism and jobs. His platform struck a responsive note with blue-collar workers who had been counted as solid for the Democratic candidate, an environmentalist with organized labor's support.

What business can do

Asked to describe his basic campaign theme, Congressman Cunningham says he told voters that: "Every individual has a right to a job and, once he or she gets one, a right to be protected from having the government come in and wipe out that job through dumb rules and regulations."

How can business continue to take advantage of changing congressional attitudes that have already produced some gains for the enterprise system?

One answer comes from a man with an unusually broad perspective on both government and business—Louis F. Laun, who was deputy administrator and later acting administrator of the Small Business Administration and is now president of the American Paper Institute.

He told a recent meeting of the National Paper Trade Association: "You can win if you can first put your point of view in a form that appeals to the self-interest or perceived national interest of the congressman or bureaucrat, and if you can get enough of three kinds of people or organizations to carry that message."

Whom to recruit

Mr. Laun said those who should be recruited to carry the message are:

- Individuals whom the member of Congress knows personally and respects.
- Trade, business, or other associations that represent what the member perceives either as large numbers of the public or as an influential but smaller leadership faction.
- People in general, and, in the case of members of Congress, preferably people from the communities they represent.

That formula, Mr. Laun reports, worked in the business drives against construction-site picketing legislation and creation of the consumer protection agency.

In each case, he says, small business and other groups developed strong logical positions. They then mounted effective letter-writing and personal-contact campaigns directed at Congress and the executive branch.

Beating labor at its game

"So far, at least," Mr. Laun says, the business groups "have beaten the theoretically invincible labor lobby at its own game, although more labor attempts will doubtless be made."

One of those attempts is now under way—organized labor's drive for National Labor Relations Act amendments making it easier for unions to organize workers.

Initial labor goals included establishment of a system whereby union organizers could bypass secret-ballot elections on whether workers wanted to be organized. Under the labor

plan, union recognition would follow automatically if 55 percent of workers signed authorization cards. AFL-CIO strategists abandoned that idea when it became apparent that the election bypass had no prospect of gaining sufficient congressional support.

Other aspects of the legislation are unacceptable to business, however, and a major battle is in progress over the bill [see editorial on page 112].

Business must fight

R. Hilton Davis, vice president for legislative action of the Chamber of Commerce of the United States, points out that organized labor is fighting with all its resources for a number of goals.

There is, he says, "an absolute necessity for the strongest effort on the part of business."

For example, Mr. Davis says, the minimum wage bill that has evolved after a long business-labor clash provides for substantial increases similar to those that would have been gained under the escalator provision the unions sought.

He also warns that the unions are pressing for changes in election laws that would greatly increase union power in future sessions of Congress.

Fish vs. jobs

In commenting on the changing attitudes in Congress, no responsible observers suggest that business will not continue to have serious problems in seeking to influence trends in areas such as excessive spending and taxation, overregulation, burdensome paperwork, environmental restraints, and other governmental interference with the enterprise system. But, observers say, not so many congressional minds are totally closed against the business viewpoint as in the past—and that is progress, however slight.

The environmental issue, for example, is one on which the public's attitudes will continue to press Congress toward more reasonable positions, Mr. Scammon believes.

"We are already seeing signs that people in general want a balance," he says.

"People might like to have fresh fish in their lakes and streams, but not if it means closing down a factory that provides jobs and having that factory's workers wind up on welfare."

"A fresh fish isn't worth it." ☐

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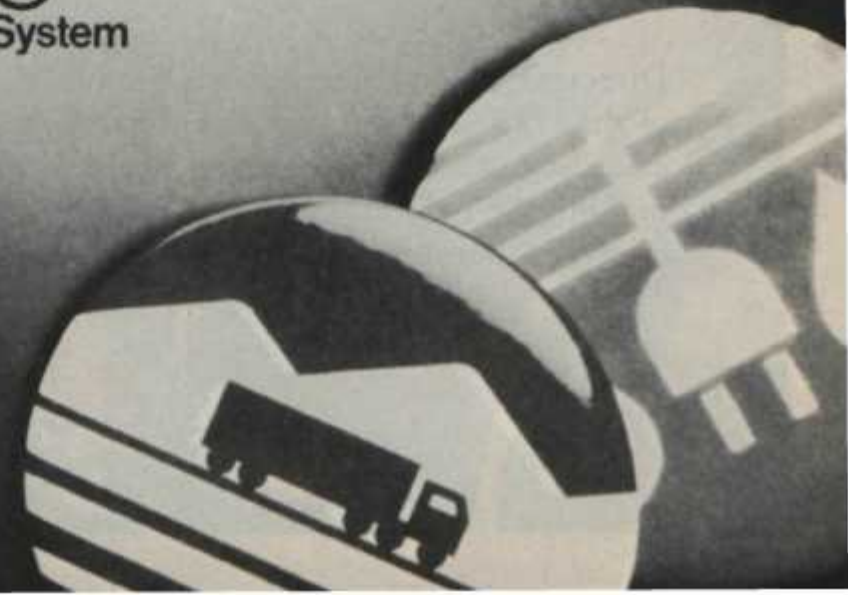
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Top officers of the National Chamber are shown at a recent Board of Directors meeting that took up a wide range of issues, including energy, the minimum wage, illegal aliens, product liability, antitrust policy, and regulatory reform. The leaders are (from left) Shearon Harris, board vice chairman; William K. Eastham, chairman; and Dr. Richard L. Leshner, president.

Business Leaders at Work for the Enterprise System

Directors of the Chamber of Commerce of the United States represent nearly every segment of the business world, making the federation's board a highly effective champion of the private sector

WILLIAM K. EASTHAM, president of S. C. Johnson & Son, Inc., tells a business audience:

"We are in complete agreement with the Carter administration on two of three parts of their energy plan.

"We agree with their diagnosis of the problem—that we are using energy too wastefully and that we are growing too dependent on imported petroleum. In fact, imports now represent 48 percent of our oil consumption, compared with 29 percent just five years ago.

"And we agree with the President's objectives of reducing imports and increasing conservation.

"We do not believe, however, that the President's program will accomplish those objectives. He wants to discourage energy consumption with punitive taxes. We would prefer to let the free market set prices according to supply and demand."

Shearon Harris, chairman of Carolina Power & Light Co., says at the launching of a grass-roots education program to increase public understanding of the energy problem: "The energy crisis was brought on largely by the operation of government in

the energy marketplace, and the problem is likely to remain with us until we reverse the course of regulation and controls embarked upon two decades ago."

On Capitol Hill, Herbert S. Richey, president and chief executive officer of the Valley Camp Coal Co., fields tough and sometimes hostile questions from members of a House subcommittee and declares: "If we are going to provide energy, we need the backing of this committee and the whole Congress to let us get on with the job."

Growing responsibilities

Each of these business leaders has something in common in addition to concern over the energy crisis. Each is an officer and member of the Board of Directors of the Chamber of Commerce of the United States, and their activities on the energy issue reflect the growing personal involvement of National Chamber board members on behalf of business.

Because the Washington-based National Chamber is the largest broadly based business organization in the country, its 65-member board is recognized as the single most influential element in the process by which the business community formulates positions on public policy issues.

The board's already sizable responsibilities have increased markedly in the past few years because of the growing complexity of government issues that have impact on business.

In addition to the energy problem, these issues include economic stimulus, government spending, inflation, employment, tax revisions, job safety, labor law reform, consumerism, government regulation, environmental policies, international trade, Social Security financing, welfare reform, health care, urban problems, product liability, and a host of others.

The National Chamber board is uniquely structured to bring a national perspective to this highly varied array of issues. Board members come from big and small business, the professions, trade associations, chambers of commerce. All parts of the country are represented.

Introducing themselves

At the first meeting of the current board, for example, an invitation to new members to introduce themselves produced this response:

"Frank Borman. I am with Eastern Airlines. I have also been associated with the airline business in the past."

"I am Andy Brimmer. I now run

an economic and financial consulting firm in Washington, D. C., although we work all over the country and sometimes all over the world. For 8½ years I was on the Federal Reserve Board. Just before opening this firm, I taught at the Harvard Business School for two years."

"I am Harry Delchamps, from Mobile, Ala. We have a regional food chain—my own business there. We operate in four Southern states."

"I am Jesse Hill. I am with the Atlanta Life Insurance Co. We have offices throughout the Southeast and Midwest."

"I am Jack James, Dallas, chairman of Dresser Industries. We are a small company, operating all over the globe."

"I am Bill Marriott, with the Marriott Corp., which is celebrating its 50th anniversary this year. I live in Washington and have lived here all my life, and I guess I have been with the Marriott Corp. all my life."

"Frank Morsani, from Tampa, Fla. I am an automobile dealer. We own a Mercedes-Benz dealership, a Toyota dealership, and a Ford dealership, and we have just been moving around, trying to make a living on a regular basis."

"I am Bill Phillips, from Minneapolis, with International Multifoods,

The National Chamber board frequently receives firsthand reports on key issues from leading government officials. Dr. James R. Schlesinger (second from right), the nation's first Secretary of Energy, spoke at a recent board meeting and later chatted informally with directors who included Shearon Harris, Mrs. Margaret Scarbrough Wilson, and John R. Petty.





Presenting the business viewpoint to Congress is one of the important assignments National Chamber board members undertake. Herbert S. Richey (left), chairman of the business federation's executive committee, talks with Rep. James H. Weaver (D.-Oregon), acting chairman of the House subcommittee on energy, after testifying against legislation to break up integrated energy firms.

an 85-year-old food-processing, distribution, and retail operation."

"My name is Paul Thayer. I am chairman of LTV Corp."

"I [Margaret Scarbrough Wilson] am chairman of Scarbroughs Department Store in Austin, Texas."

Special strengths

The board consists of 50 elected directors, half chosen each year for two-year terms. In addition, the 11 principal officers of the National Chamber and the five members of its Senior Council are ex officio members of the board with full voting rights. Each chairman, upon completion of his term, becomes a member of the Senior Council for five years. The board elects its own officers and members on recommendation of a nominating committee, which is chosen by nonofficer board members and may not include the officers.

New directors are chosen under broad guidelines providing not only for geographical balance and occupational diversity, but also for the special strengths they can bring to the organization.

Mr. Eastham, currently the chairman of the National Chamber board, says board members are selected for their "high degree of knowledge and experience needed to make the decisions that guide the chamber."

This knowledge and experience are put to work not only on the board itself, where final policy decisions are made, but in committees and other groups that explore specific issues in depth and make recommendations for board action. In some cases, policy is set on the basis of referenda of National Chamber members.

National Chamber bylaws specify that policy decisions be limited to issues that are "national in character, timely in importance, and general in application and of significance to business and industry."

Areas of specialization

Issues that meet these tests are considered by one or more of the 19 committees on which board members serve.

They are the:

- Antitrust and Corporate Policy Committee.

- Banking, Monetary, and Fiscal Affairs Committee.
- Business Overview Committee.
- Canada-United States Committee (U. S. Section).
- Community and Urban Affairs Committee.
- Construction Action Council Executive Committee.
- Consumer Affairs Committee.
- Education, Employment, and Training Committee.
- Employee Benefits Committee.
- Environment Committee.
- Food and Agriculture Committee.
- Government and Regulatory Affairs Committee.
- Health Care Needs Committee.
- International Policy Committee.
- Labor Relations Committee.
- Natural Resources Committee.
- Public Affairs Committee.
- Taxation Committee.
- Transportation Committee.

There are also 13 councils, panels, and subcommittees on which both members and nonmembers of the board serve:

- Council on Trends and Perspective.
- International Insurance Advisory Council.
- International Labor Organization Advisory Council.
- International Economic Development Subcommittee.
- International Trade Subcommittee.
- International Investment Subcommittee.
- Postal Service Panel.
- Privacy Panel.
- Products Liability Panel.
- Small Business Council.
- Welfare Reform Proposals Panel.
- Association Committee.
- Institute Board of Regents Committee.

Hundreds of others help

Nearly 1,300 leaders from business and the professions serve voluntarily along with the directors on the various committees, councils, panels, and subcommittees. They make major contributions to the flow of information and viewpoints that the board crystallizes into official policy.

And the National Chamber board not only makes policy, it fights for its decisions.

Mr. Eastham put it this way to the first meeting of the 1977-78 board:

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WRITE TO WASHINGTON





Complex issues considered by the National Chamber board require the kind of close attention being given here by directors Paul A. Batcheller, board chairman of Zip Feed Mills, Inc., Sioux Falls, S. Dak., and Frank Borman, chairman, president, and chief executive officer of Eastern Airlines.



J. Willard Marriott, Jr., president and chief executive officer of Marriott Corp., and Jesse Hill, Jr., president and chief executive officer of Atlanta Life Insurance Co., both new members of the National Chamber board, get acquainted before the first board meeting they attended.

approved by this board, we present those positions in an intellectually honest way, and we defend our organization whenever it comes under fire. We must not shirk that responsibility as we, individually or as a group, come under the pressures of those who would wish the National

Chamber either to change its course of action or subdue its appeals to the administration, the Congress, and the public at large."

The National Chamber, Mr. Eastham continued, "is in a tough game. We cannot play it with our hands tied behind our backs. We have to

stick to our principles, and we have to stick to our positions. If we do, we will find many people, both within our membership and outside of it, who will support us and help us win.

"I think we are in a unique period. For the first time in several decades we are not at war. Americans, including all of us in the business community, can look at important national policy issues in a more determined and concentrated manner. The nation is in a better position than it has been in for a long time to take stock of where we are and where we want to go.

"The business community must play a strong and influential role in all of this, and the chamber can be extremely important as a vehicle to help business participate in the important debates that will occur on national issues, priorities, and goals.

"This is why I believe that we are serving on the board of this organization at a unique time and that each of us has the opportunity to make a significant contribution."

Reputation for hard work

The National Chamber board has a reputation as a hardworking group, one that is fully ready for the "tough game" Mr. Eastham mentions.

All board members serve on at least one committee. All meetings are held in Washington, and attendance is excellent.

Directors, or their companies, pay their own expenses to attend board meetings and don't even get free tickets to the National Chamber's annual meeting.

Past and present members of the board say their reward lies in the knowledge that they are performing a valuable service to business and to the country.

Exciting debates

Dr. Richard L. Lesher, president and chief operating officer of the National Chamber, gives this reaction to the board in action:

"It is a beautiful thing to witness, one of the most impressive performances in the entire business world. Upward of 80 percent of all the directors are present at any given meeting, and their involvement is total. The discussion and debates on the tremendously complex issues business faces are not only professional, they are exciting."

Outsiders from time to time assert that actions of both the National

Chamber and its board are predictable, but leaders of the business federation dismiss such criticism as invalid and uninformed.

"Any really strong organization is predictable to some degree," Dr. Leshner says. "A strong organization knows what its mission is and has fixed principles to guide it in achieving that mission. Taken together, these forces often determine the conclusions that the organization's governing body reaches. This consistency is an important source of strength, even if it does involve a certain degree of predictability."

Dr. Leshner points out that major problems facing the country are more likely to be solved by private-sector mechanisms than by a greater and greater role for government and that the business federation's policies reflect this view.

"The National Chamber's principal goal," Dr. Leshner says, "is set forth in our mission statement: 'To advance human progress through an economic, political, and social system based on individual freedom, incentives, initiative, opportunity, and responsibility.'"

"Our policies will consistently flow from that statement. At the same time, the rich experience of our board members in nearly every sector of the economy, coupled with the expertise of our staff, enables us to deal in a positive way with the changes in our society."

Wealth of experience

William G. Van Meter, who, as senior vice president, is No. 2 on the staff at the National Chamber, says that "we are extremely proud of the wealth of experience and knowledge of the members of our board in almost every field of industrial and commercial activity. That experience and knowledge, along with the stature of the individual board members in their respective businesses and industries, make up the mix that has produced the excellent policy decisions that have advanced the goals of the National Chamber tremendously."

Mr. Van Meter, who has worked closely with the board in his long service with the National Chamber, notes that the board's work has grown more challenging in recent years.

"The world has been changing drastically," he says. "Members of the board of the National Chamber

have to be more versatile, more imaginative, and better equipped than ever before to deal with issues that grow more complicated daily."

Reaction to energy plan

The National Chamber's reaction to President Carter's proposed energy plan is a significant example of how the business federation's board can rally to the support of an effort to achieve vital national goals while pressing the view that the best route is through market mechanisms.

Randall Meyer, president of EXXON Co., U. S. A., a member of the chamber board and chairman of its Natural Resources Committee, summed up the board's approach to

President Carter's call for a sense of urgency about developing new energy sources and reducing dependence on foreign supplies, for conservation and greater energy efficiency, and for using greater amounts of the nation's abundant coal supplies.

However, business is concerned about the extent to which the Carter energy plan leans on taxation and price controls, rather than letting market demand set price levels that will encourage development of new energy sources.

At home and at White House

Once they have determined a policy position, board members go to work on behalf of the policy. This



Donald M. Kendall, chairman and chief executive officer of PepsiCo, Inc., is among leading corporate executives who serve on the board.

energy policy at the recent board meeting:

"Our responsibility as businessmen who have particular knowledge about the factors involved in achieving the overall objectives of the energy plan is to make our own analysis and see whether or not we think the specific implementation steps proposed will achieve these very desirable overall objectives. If the proposed steps will not do so, we must suggest alternative steps, if we can."

"I don't think it is inconsistent on any issue for us to support principles and broad objectives and then disagree with some of the specific provisions for reaching the proposed end results."

"What we are trying to do is to get a consensus on where the country should go and wants to go and then to do our very best to determine the best steps to take."

National Chamber policy as determined by the board supports Presi-

work ranges from making home-town, grass-roots contacts to testifying before congressional committees and meeting with the President and his key advisers, including cabinet members.

National Chamber leaders, for example, conferred with President Carter at the White House last spring and presented to him an 11-point program under the title "Increasing Energy Production."

Mr. Richey, then National Chamber chairman; Mr. Eastham, then vice chairman; and Dr. Leshner represented the business federation in the conference at the White House. At the same session, the President sought National Chamber help in resolving another major problem—the burden that government paperwork demands impose on business. Chamber officials pledged complete cooperation and prepared a special report for the President on ways to curb paperwork.

An Easy Way to Change Jobs

**'This system is simple, straight forward and quick — but it works.
Do it right and you can have the highest earnings of your career!'**

I've got something that can help you earn a great new living and perhaps even make you rich!

Now, I know this seems hard to believe, but I can also prove it to you!

I say this because I've got letters from thousands of satisfied customers, . . . and a product which has been praised by 150 leading media!

What's more, at \$10, it's an incredible bargain, and I'll even give it to you without asking you to risk one penny!

However, first let me tell you what I have.

I've got a copyrighted job changing system that you can use to move up in your field, or out to another field, but at significantly higher earnings.

It took myself and five other professionals two years and \$250,000 to develop—but it works!

Furthermore, it doesn't require "genius" and it doesn't require "luck." All you have to do is put it into action.

The reason we developed it was because with 85 million employed, and 18 million circulating resumes each year, this area was ready for some revolutionary ideas.

We knew more people than ever owned prestige cars & yachts, summer homes and international retreats, as well as having securities, real estate holdings and lots of cash in the bank.

In short, many people in the U.S. are living good lives!

At the same time, however, the great majority have no excess cash, little job security, and are frequently restless, bored with their jobs, commuting long hours, and harassed by inflation!

We asked ourselves how do people get to live the "good life"?

Well, we found that most successful people were there because they never wasted time in dead-end situations!

What these people did was to make crucial job changes, and parlay their higher earnings into small fortunes!

Take a look at the economics!

Do you realize that if you were to change jobs every 4 years, at an average annual increase of \$4,000, and then put the increases in the bank at 6%,—that in 20 years you'd accumulate an extra half million dollars!

Getting raises is one thing, but getting significant increases because of

job changes is a very important source for wealth!

The next question then, is how can you easily change jobs? This is where the unique system we've developed fits in.

Our system can work for anyone from \$8,000 to \$80,000. Do it right and you'll gain higher earnings, lifelong job security, but most of all, *everlasting* self confidence!

This is because once you've used it, you'll know you can *always* get a new job,—quickly and predictably.

Perhaps you're wondering why our system works? Well, it works because it's a *completely different approach*, based on totally new concepts.

But, also because it's simple, practical, and self-tailoring. You could start next week—and do it *without strain, confusion or worry*.

But, there is one catch! You won't be a success if you use old methods for dealing with recruiters & agencies, for answering ads & sending out letters, for handling interviews & negotiating salary.

To make more money without a hassle, you'll have to be willing to change. You'll also have to follow our system, have an open mind & have faith in yourself.

However, do this and a better life will be yours!

With our system, whatever you seek—a better job, a new career, higher pay, more satisfaction,—*I believe nothing can stop your success!*

Not age, sex, education, or even low earnings or past working history.

Personnel Magazine said we have a "breakthrough."

The National Public Accountant even said it was "capable of catapulting any average person into a position offering much greater rewards."

However, your best proof of our system is that we've already received thousands of letters from grateful customers.

Letters like one from a gentleman in California who wrote: "In 4 weeks I changed jobs and raised my salary 33%! I wish I had it 10 years ago!"

Another man from New York said "I used one of your letters, sent 24 out, and got 13 interviews and 3 job offers!"

Still another from California said "In just 11 days I received an offer of \$7,000 more!"

I know this sounds almost too easy and I can't promise that you will do as well. But, then again you may do better!

Even one of the largest magazines, "**Business Week**," said our system was "an indispensable aid."

Now, if you're serious about wanting to move up, then I know that our system is something you've got to have!

In fact, I'm so convinced that you'll agree that it's worth *hundreds of times the cost*, that I'll make sure you have nothing to lose.

First of all, when your order arrives, we'll ship within 24 hours. No delays!

Secondly, you can examine our system for 10 days.

Third, if at the end of that time you are dissatisfied, return it, & I personally guarantee your 100% refund will be mailed in 3 working days—with no questions asked!

To let me prove everything I've said, and to take advantage of this nothing-to-lose offer, just fill in and mail me the coupon below.

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Attn: Mr. Robert Jameson, President
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Dear Mr. Jameson:

Your offer sounds great! Please rush me your Professional Job Changing System right away, but on one condition. I understand I may examine it for 10 days, & if at the end of that time I return it, you will mail my full refund within 3 working days, with no questions asked. On that basis, here's my \$10, plus .50 for postage and handling.

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☐ Chg. Bank Amer ☐ Chg. Amer. Expr
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Acct. # _____ Exp. Date _____

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Mr. Jameson's ideas have been the subject of more than five hundred articles, ranging from 600 words in *Business Week* to 3,000 words in *Chicago Today*. This material has also been nationally advertised in leading media including *The Wall Street Journal*, *Scientific American*, *Nation's Business*, *Signature*, *The New York Times*, *Newsweek International*, *The Los Angeles Times*, *American Scientist*, *Income Opportunities*, *Time*, *Specialty Salesman*, *Success Unlimited*, *Chemist*, *Forbes*, *New York*, *The Chicago Tribune*, *True & others*.

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In another major, energy-related activity, Mr. Harris, who is vice chairman of the chamber board, helped launch the chamber's Energy Education Program at a Washington meeting that drew members of the press and guests from energy industries.

Creating understanding

The education program, he said, "was developed to inform Americans of the nature of the energy problem and the options we have for dealing with it."

Not only does the program present the view that there must be a reversal of the trend toward overregulation in the energy field, he said, but it also

positively to the public understanding of this complicated issue."

Trips to Capitol Hill

Along with Mr. Richey, who is current chairman of the Executive Committee and a member of the Senior Council, other officers and directors of the business federation have also made frequent trips to Capitol Hill to press the business viewpoint on energy, as well as on other issues.

In conveying to Congress the National Chamber's energy policy as determined by the Board of Directors, Dr. Leshner told the House Ways and Means Committee:

"The energy crisis belongs to us

that include sponsorship of Washington Update meetings, which are held continually throughout the country.

The focal point of these meetings, which are attended by leading businessmen and businesswomen from the regions in which the sessions take place, is the showing of the videotaped "Washington Update" program. The program gives a detailed insight into current Washington developments on business issues and into National Chamber action in support of the business position on these issues.

For example, Thomas F. Murray, a National Chamber board member who retired recently as executive vice



A. Dean Swift (left), president of Sears, Roebuck & Co. and a director of the National Chamber, was host recently at a Washington Update luncheon for business executives in the Chicago area, including those shown here. Guests, at Sears corporate headquarters, watched a videotaped report on National Chamber activities.

"gives a history of various energy sources, an explanation of their importance in the current energy mix, and a few projections of their role in the future. It examines those options we have before us, such as increased use of coal and uranium, and evaluates them realistically.

"In brief, it attacks the energy problem at its roots—the poor level of public understanding about it."

Noting that "it is likely that every Congress for the remainder of this century will in some way be called upon to improve the energy policy adopted in 1977," Mr. Harris said the education program will remain current as long as the energy issue is a matter of national concern. "We at the chamber are quite proud of this program," he said. "In undertaking it, we have recognized our overwhelming responsibility to contribute

all. Business has as much at stake as any segment of our society.

"We simply do not believe the answer to our energy dilemma lies in more taxation and more regulation. The imposition of price controls and new taxes is contrary to the basic market forces which have been and will continue to be the most effective and efficient means of correcting supply-demand imbalances."

While National Chamber policies are detailed to Congress in direct testimony, public support for such policies flows from the business federation's broad, grass-roots base, and members of the board are active in this effort also.

Washington Update meetings

Board members make important contributions to the grass-roots program through home-area activities

president and chief investment officer of the Equitable Life Assurance Society of the United States, was host at a recent Washington Update luncheon in New York City. Mr. Murray is now a financial and real estate consultant.

In welcoming the guests, many from the financial and industrial community, he said: "The purpose of these meetings is to achieve an exchange of ideas. We want you to know what the National Chamber is doing. We want your input into what you think the National Chamber should be doing. These sessions are very much a part of our grass-roots program."

The showing of the videotaped report at the Update meetings is followed by general discussion.

At the New York meeting, one of the guests was particularly qualified

"We switched to a Lockheed business system. To save \$50,000 a year."



An interview with James M. Allen, Business Manager, Secretary and Treasurer of Radiology Associates of Birmingham, Alabama, concerning his company's experience with Lockheed business system.

Q. What does your company do?

A. The business office, where the computer is utilized, handles billings and accounts for the 15 physicians who make up Radiology Associates.

Q. Why did you change to a Lockheed business system?

A. At the time, we were projecting up to \$80,000 per year for computer rentals and we couldn't do all the things we wanted to do. For instance, to do an inquiry into our data base was very complicated. Then Randle Rice of General Computer Corporation—your dealer—called on us. He showed me that I could run an RPG II program on a Lockheed system. After that I took what he told me on faith. That is, we could put terminals on line and do direct data entry and so on.

Q. But you weren't ready to buy yet, were you?

A. You're right. We looked at the bottom line first. After examining dollars, we decided to purchase the Lockheed System III. With potential savings of \$50,000 per year, we couldn't possibly see how we

could fail unless the system didn't actually perform.

We figured that if we used it for five years and then threw it away, we could save as much as \$250,000 compared to alternative systems available.

Q. What features of the Lockheed system attracted you?

A. The ability to get a growth system in an attractive economic package. It gave us on-line data entry and other capability.

Q. Anything else?

A. Compatibility with software languages. RPG II is a simple language; therefore we don't need a full-time programmer. That saves us about \$12,000 a year.

Q. Who operates the system?

A. About a dozen people. If a person can type and read directions, he or she can operate it.

Q. Are you convinced you bought the right system?

A. Yes and I would make the same decision again. I don't know any reason now for not picking the Lockheed system.

You can tailor a Lockheed business system to your business without paying a tailor-made price. Lockheed Systems handle payrolls, general ledger, accounts receivable and payable, invoicing, order entry, purchasing, inventory control and a lot more. As your business grows, your Lockheed System can grow with you—save you the cost of buying a new system. You can add terminals, add more chores—flexibility is built-in to Lockheed business systems. Call collect: (201) 757-3300. Or write to us.



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to discuss the subject of how to make your voice heard in Washington. Orville Freeman, president and chief executive officer of Business International Corp., is a former U. S. Secretary of Agriculture.

Congressmen will listen

Mr. Freeman said that "congressmen are open to persuasion and willing to listen, and we should have the facts to present to them."

He noted that his own firm, which seeks to expand global trade and investment opportunities, has countered efforts to restrict U. S. business activity abroad with information showing that domestic employment is increased, not curtailed, when American firms locate plants in foreign countries.

The eagerness of business leaders to make their voices heard in the democratic process was also a popular theme at a recent Washington Update breakfast in Toledo, Ohio.

This meeting was sponsored by another National Chamber board member, C. E. Peck, group vice president of Owens-Corning Fiberglass Corp.'s Building Materials Group. Owens-Corning is headquartered in Toledo.

Role of small business

One of the guests at the session, Morgan Wilkins, who operates the M. P. Wilkins Supply Co. in Toledo, asserted that small businessmen in particular have difficulty in getting their voices heard where it counts.

Mr. Peck and regional chamber officials who were present pointed out that the National Chamber board had taken a major step on behalf of small business by forming a Small Business Council. A National Chamber director heads the council.

The National Chamber now has nearly 70,000 members, including 66,338 corporations and other businesses; 2,543 chambers of commerce and other commercial organizations; and 1,159 trade associations.

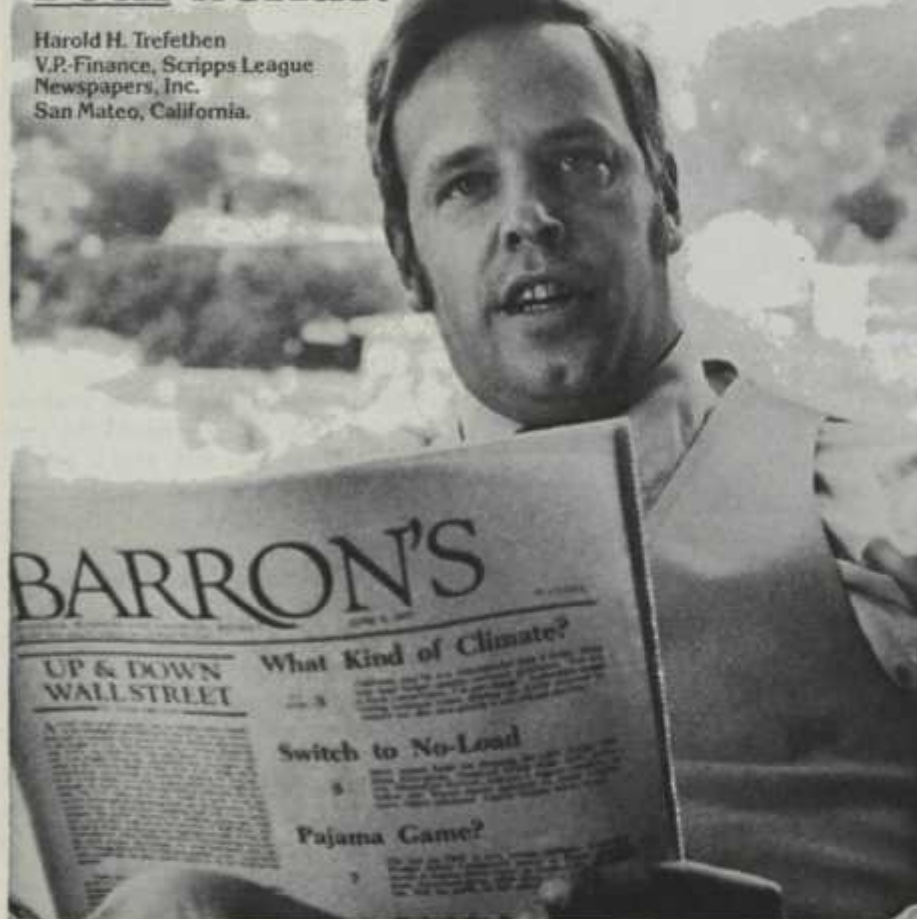
Of the businesses, 74 percent employ fewer than 50 workers, and 46 percent employ fewer than 20.

National Chamber Chairman Eastham underlined the importance of small business in his speech to chamber executives in Wisconsin.

"We have learned at the National Chamber that the small business operator is an energetic, enthusiastic member and that his voice is singularly persuasive in the councils of

"I'm an investor. And a businessman. I depend on Barron's to keep me ahead in both worlds."

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government," Mr. Eastham said. "He needs our help—at the local, state, and national levels—and we need his. All that is needed to involve him—or her—is a little effort by chamber executives to let him know he is wanted and needed and that there is a place for him."

United efforts

The board reinforced the importance of two highly valuable segments of the business federation's membership two years ago by electing a representative of state-local chambers of commerce and a representative of the trade association field to membership on the board, a practice that is being continued.

While the National Chamber represents many constituencies within the business community, they all fuse into one highly effective force through the united efforts of the federation's directors and its staff.

One of the most crucial challenges facing the board is to remain effective at government's top levels while sometimes having to defend business against harmful initiatives launched at these same levels of government.

The Consumer Protection Agency issue is a good example of how the National Chamber has succeeded in maintaining this balance. The National Chamber has taken a leadership role in opposing creation of such an agency, arguing that it would unnecessarily impose further costs and regulation on business. The White House wants the agency created.

Constructive criticism

Has this caused ill will at the White House toward business?

Not at all, says presidential adviser Stuart Eizenstat. Speaking for the Carter administration, he told Dr. Leshner:

"One of the nice things about the relationship we have had with the chamber is that we have found you always constructive on issues, even on the consumer agency issue. You have pointed out to us many things which we are looking at to determine if we can help improve the agency.

"The chamber has been an immensely helpful and immensely responsible group. We have met with you regularly. We intend to continue to meet with you regularly. We intend to keep an open mind on everything, and your views will always be welcome."

Why Executives Are Not Overpaid

By Robert E. Sibson

Some managerial salaries are falling behind inflation and others are barely keeping pace, a survey shows. It also shows that many companies are turning to new methods of rewarding their managers



EACH YEAR the charge is made, more and more often, that business managers are overpaid. The pay of some top executives is cited in particular.

Is the accusation accurate? Let's look at some facts.

The salaries of the chief executive officers of corporations with sales of \$2 billion now average \$260,000 a year.

However, in 1970, chief executive officers of companies with comparable sales—adjusted for the effect of inflation—averaged \$165,000 in salary. Their salaries thus increased an average of six percent per year. And their total pay—salary plus bonus—increased at a rate of less than six percent per year. In the same period their cost of living, measured by the consumer price index, increased slightly more than seven percent per year.

Compression problems

So, in terms of real after-tax income, top businessmen on the average are paid less today than they

were eight years ago. And corporate management pay in general has barely kept pace with inflation in that period.

The deteriorating pay of top managers is causing problems of compression in the differential between their pay and that of lower-level employees, particularly in intermediate and larger sized businesses. A very important consideration in setting management pay is the need to have reasonable differences between each level.

When the pay of production and office workers goes up, an upward movement is necessary in the pay of supervisors and technical workers. As the pay of supervisors and technicians rises, the pay of managers and professionals must go up, too. These differentials must be preserved. In most firms they are, if anything, too narrow now.

No doubt some executives are overpaid, but they are a distinct minority. They are the exceptions who, unfortunately, are often reported as typical cases.

Sibson & Co., Inc., has worked for many hundreds of firms on questions of management pay.

Our experience has been that management in the overwhelming majority of public corporations is not self-serving in matters of its own pay. Nor have we found directors to be careless or casual in meeting their responsibilities with respect to setting executive pay.

Directors are concerned

Clearly, directors are concerned about how to continue to meet these responsibilities, largely because of the increasing complexity of executive compensation and the continuous changing of laws and regulations. In our experience, it is grossly unfair to suggest that directors rubber-stamp pay recommendations or are incompetent or careless in these matters.

With the return of prosperity and a growing economy, high levels of pay and full employment have returned to executive ranks.

Three years ago, by contrast, there

PROFILE OF EXECUTIVE SALARIES

There are about 600,000 executives in American business today, according to Sibson & Co. Their average age is close to 55, and they started work at about age 24. Their average current salary is about \$50,000.

On the average, they have worked for three different companies so far during their careers and have had six promotions, including those experienced when they changed companies. In promotion years, their salary increased 15 to 17 percent on the average. In all other years, their salary increases averaged eight percent.

was significant unemployment among managers, and income from bonus plans and long-term income plans was down—zero in one firm out of four.

Shortages of managers

Today, as any executive recruiter can testify, there are actually shortages of managers, and management pay, in pretax dollars, is at a record high.

Pay raises for managers averaged eight percent in 1977—returning to their historical levels. As Table No. 1 illustrates, salaries for key managers rose nine percent and have increased between six and nine percent nearly every year for the past 12 years. Salaries for managers have, except for periods of rapid inflation, moved ahead in the same range in good years and bad.

Over a manager's career, the average salary increase is a little more than eight percent per year. For those who reach key executive ranks (corporate officer, division head, principal functional department head), the average salary increase is slightly more than ten percent per year.

Slowdown in later years

In fact, few persons during their work careers get equal salary increases each year. Pay progress tends to be more rapid during the early years. Then it tends to average about eight percent during the middle years and barely to keep pace with inflation during the final ten to 15 years.

Even so-called fast-track managers receive smaller increases during much of their business careers than one may assume from reading some articles on management pay.

Most would agree, for instance, that a manager aged 55 and earning \$100,000 per year had been very successful—had been, indeed, a fast-track employee. To reach that elevated salary level, after some 30 years of work, the executive probably received increases averaging 15 to 17 percent annually during the first six to eight years of his or her working life. The salary increases probably dropped to about 12 percent for the next eight years, to ten percent for another few years, and to six or seven percent for the past half dozen years.

Salary increases will continue for the rest of the executive's working life, if he or she is not to lose ground to inflation.

All employees want to keep pace with inflation, and managers are no exception.

In addition, employees, including management employees, strive for a higher standard of living for themselves and their families. They seek pay increases that will eventually get them to a substantially higher style of living.

Bonuses are widespread

Estimated salary levels for chief executive officers of industrial companies, as of January, 1978, are shown in table No. 2. The data are for bonus-paying companies only; there are few nonbonus-paying industrial companies, and it is difficult to get reliable data on them.

Salaries for key executives other than chief executive officers are shown in table No. 3. Division managers in this table are those who run whole businesses, in the sense that they are responsible for their own production, marketing, and product development, but who typically receive guidance in various areas from corporate headquarters and may have important functions carried on by that office. These managers are clearly the highest paid of those in the table, but they earn about 20 percent less than their counterparts in independent companies that are similar in size to the divisions they run.

Bonus payments for business performance in 1977 were about the same as those paid last year. (See tables No. 2 and No. 4). Actual dol-

lar levels of bonuses reached an all-time pretax high.

Companies continue to show great interest in bonus award programs. Each year the number of companies with bonus award plans for key executives grows. Companies are also working hard to improve the effectiveness of their bonus award programs. Their work is directed mainly at developing better criteria for measuring business performance. In this way, bonus payments are becoming awards for achievement rather than just extra pay.

Spurs to middle management

Incentive pay programs for middle level management came of age in 1977.

Leading companies have been working hard for some time at extending incentive award programs to those immediately below the upper management rank who traditionally come under bonus plans. This middle management level includes a great number of technical, administrative, supervisory, and professional employees who are increasingly important in running a business.

About five percent of all companies now have incentive compensation for at least some of their middle level managers.

Bonus awards actually paid to chief executive officers are shown, along with salary levels, in Table No. 2. Readers should keep in mind that these are awards which will be made for business performance in 1977. They are not standards or guides for bonus payments; they are the awards actually earned in a year which, for most firms, was highly profitable. These bonuses are double those which were awarded, on the average, during the bottom of the recent recession.

End of qualified options

For more than ten years now, some experts have been prematurely predicting the death of qualified stock options, which require the stock to be held for at least three years after its purchase. At last, those experts are right, though for none of the reasons they gave. Congress simply killed the qualified stock option plans by ending the preferential tax treatment given them.

The result is that option stock price appreciation will be taxed at earned income rates rather than capital gains rates. This has a significant

impact on all executives except those in the highest income tax brackets. Qualified stock options had the advantage of being the most cost-efficient way to get top level managers to own substantial amounts of stock. That opportunity no longer exists.

Three out of four companies that formerly granted qualified options have simply shifted to nonqualified options. Most of these companies had already received stockholder approval to grant either qualified or non-qualified options.

In many companies nonqualified options are still a very effective way of providing competitive and appropriate long-term income payments to key managers.

Timing can be crucial

For instance, companies that are truly growth firms—with earnings per share increasing by 15 percent a year on a stock selling for 15 to 20 times earnings—might appropriately use nonqualified options. Similarly, companies that experience wide swings in the price of their stock might be able to use nonqualified options to provide competitive long-term income—if the companies guess right and grant the options when the price of the stock is low.

In effect, companies which are reasonably sure that stock values will increase substantially during the life of the nonqualified option can use this device to provide competitive levels of long-term income.

However, even with a 50 percent spread between option price and market price accrued over, say, four years, the annual after-tax gain from an option would not be very great. In addition, the costs and risks of making that gain are significant.

The manager, for instance, who had 5,000 shares acquired at an option price of \$20 per share would make \$25,000 of after-tax profit if the stock price increased to \$30 per share in four years' time. This amounts to an annual gain of \$6,250. But the manager would likely have to borrow the money to finance the exercise of the option and payment of about \$25,000 in taxes—a total of \$125,000. Interest on this loan would probably be \$9,000 per year, and sooner or later, the manager would have to repay the loan.

Upon exercising his option, the manager could, of course, sell enough stock at \$30 per share to pay off the loan. To do this, however, the man-

Table #1 Trends in Salary Increases for Top Managers

Year	Average Increase in Salary for Total Group	Median Increase for Those Receiving Increases
1965	6%	12%
1966	6	11
1967	7	12
1968	7	12
1969	7	12
1970	9	14
1971	7	13
1972	7	13
1973	7	12
1974	8	10
1975	10	11
1976	9	11
1977	9	12

NOTE: Top managers include chief executive officers, chief operating officers, top functional vice presidents, and top group and division executives.

ager would have to sell 4,167 shares of his newly acquired stock. Thus he would be left with only 833 shares out of the 5,000. Furthermore, if the manager happened to be an insider, he would not be able to sell any of the stock immediately after exercising this option. Securities and Exchange Commission rules require him to wait at least six months before such a transaction.

To reduce such financing problems, companies adopted, as long as seven years ago, what were called buy-out programs. Under these programs, a company could, at its discretion, buy up some of the stock the executive acquired when he exercised his option. Typically, companies would buy enough of the stock to enable the manager to meet his tax obligation. In the case above, where the tax due would be about \$25,000, the company would buy back 2,500 shares at \$30 a share—a \$10-per-share profit for the executive, providing him with the cash he would need to pay his capital gains on this stock.

Long-term bonus plans

Many companies last year looked hard at the possibility of adopting a long-term bonus plan. In many ways, such a plan is the same as an annual bonus award plan, except that the payments are geared to business re-

Table #2 Salaries and Bonuses of Chief Executive Officers of Industrial Companies

Sales (in millions)	Salaries and Bonuses (in thousands)
Small company	
From \$2 to \$5	Salary \$ 51
	Bonus 15
	Total \$ 66
From \$5 to \$12	Salary \$ 60
	Bonus 23
	Total \$ 83
From \$12 to \$25	Salary \$ 73
	Bonus 29
	Total \$102
Intermediate company	
From \$25 to \$50	Salary \$ 86
	Bonus 35
	Total \$121
From \$50 to \$100	Salary \$105
	Bonus 51
	Total \$156
From \$100 to \$150	Salary \$119
	Bonus 58
	Total \$177
Large company	
From \$150 to \$250	Salary \$140
	Bonus 70
	Total \$210
From \$250 to \$400	Salary \$165
	Bonus 78
	Total \$243
From \$400 to \$600	Salary \$185
	Bonus 88
	Total \$273
Very large company	
From \$600 to \$750	Salary \$200
	Bonus 97
	Total \$297
From \$750 to \$1,000	Salary \$217
	Bonus 114
	Total \$331
From \$1,000 to \$3,000	Salary \$242
	Bonus 130
	Total \$372

Table #3

Salaries of Line and Staff Executives (In thousands)

Size of Company (By sales volume in millions)		Functional Positions:						
		Division Managers	Marketing	Manufacturing	Finance	Legal	Research	Personnel
From	To							
\$ 5	\$ 25	\$ 50	\$36	\$36	\$ 41	\$37	\$33	\$29
25	100	68	48	46	54	46	42	36
100	250	87	60	58	68	53	52	46
250	500	98	71	67	86	65	61	55
500	1,000	117	80	78	94	75	68	63
1,000	2,000	132	92	88	108	89	77	71

NOTE: Salary data are for bonus-paying industrial companies projected to reflect levels of January, 1978

Table #4

Bonus Levels for Line and Staff Executives (As a percent of salary—salary in thousands)

Salary	Functional Positions:						
	Management	Marketing	Manufacturing	Finance	Legal	Research	Personnel
\$ 30	40%	22%	22%	16%	15%	17%	16%
40	42	26	26	21	20	21	20
50	44	30	30	23	23	25	23
60	46	33	33	25	27	30	29
70	49	37	37	30	31	35	34
80	52	39	40	35	35	37	38
90	56	45	44	40	39	40	43
100	60	49	48	45	43	43	47
150	65	55	54	52	48	50	53

sults over a longer period. The typical period is five years; it may be as long as ten years, but never less than three.

The most frequently adopted long-term bonus plan is the so-called performance incentive plan. Under this kind of plan, a sum of money equal to as much as five times annual salary is promised a manager, provided the company meets certain five-year earnings goals. Typically, these goals will call for ten percent improvement in earnings per share each year. The manager who meets them gets a cash award equal to one fifth of the total cash incentive each year in which the company's earnings goals are met.

These plans have the advantage that management has more control over earnings than it does over the price of the company's stock. Thus, the company avoids a situation, all too common during the early 1970's,

when earnings improved, but managers received no reward because stock prices tumbled.

Many companies have a combination plan where part of the award is based on stock price performance and part on earnings performance.

Two new plans

In 1978 proxy statements will show two promising new plans. One, labeled the stock incentive plan, rewards managers with stock, rather than cash, for meeting incentive compensation goals. The second, called the executive stock ownership plan, calls for purchase of substantial amounts of stock by executives with money loaned to them by the company. These loans are repaid with awards paid managers for achievement of long-term earnings goals.

One major advantage of the executive stock ownership plan is that it provides a way for managers to ac-

quire stock in their company on a prudent basis.

The amount of company stock owned by key executives has been declining steadily for the past ten years. Many managers and almost all directors view this situation with alarm. They feel it is important that those who make the decisions which affect the company's future should have a substantial stake in the company.

To achieve that objective, special plans had to be developed to make stock purchase possible on reasonable terms. □

MR. SIBSON is president of Sibson & Co., Inc., human resources management consultants. His article, published exclusively in *Nation's Business*, is based on Sibson & Co.'s Thirteenth Annual Management Compensation Study. Reprints of the article available. See page 32.

Flowers. To keep business blooming.

A natural part of that business is flowers. Especially for the holidays.

As a gift to the homes and offices of clients and customers, flowers and plants are an easy,

spontaneous demonstration of your appreciation. But they also answer other business needs. As a tribute to employees on birthdays or anniversaries. As a way of brightening the

office and the spirit.

To keep business blooming, just make an arrangement with your florist. One call is all that's needed. Your florist will do the rest.

Flowers and plants are for every business occasion. Naturally.



The customer pleaser. Hand-crafted holiday arrangements designed to brighten your best customer's desk.



The house call. Send a long-stemmed business gift to the home and receive double the appreciation.



The desk set. Give one or two dozen. Either way it's the flowery thought that pleases the office manager.



The senior partner. Plant an idea of good will and well wishes with this bold traditional gift.

Mercedes-Benz announces a new Coupe



The 2.8-liter gasoline-powered 280CE.

plus an extraordinary new Coupe



The 3-liter Diesel-powered 300CD.

*The new Coupe
is the 280CE and it is powered by a fuel-injected, 2.8-liter Six.*

*The extraordinary new Coupe
is the 300CD, and it merits the term by introducing Diesel power
to a class of Mercedes-Benz from which Diesels were
previously excluded.*

Thus the Mercedes-Benz Diesel has fully come of age. It stands today at such a peak of refinement that a limited-production Diesel sports Coupe is not sacrilege but logic. Meanwhile, savor your new luxury of choice.

No boulevard sports car

Gasoline- or Diesel-powered, this new Coupe is no faddish "personal" car but a lithe five-passenger machine you will prize as much for its quick reflexes as for its elegant lines.

You sit cradled within a wheelbase of only 106.7 inches, less than a foot longer than the close-coupled 450SL Roadster. You should find yourself negotiating even tight mountain curves with a sense of ample road to spare, slipping through city traffic like a fish. Chances are, within a few days you will stop having to envy sports car drivers forever.

But family men can rest assured. There is not only a full rear seat but a rear seat that nearly equals the 280E Sedan for headroom. And there is not only a full trunk but a trunk with the same 12.6 cubic feet of space as the 280E.

Some people don't understand how Mercedes-Benz builds such space-efficient cars. Mercedes-Benz doesn't understand how to build anything else.

Worth its weight in strength

The new Coupe's taut profile is aerodynamically "clean." Put under an X ray, it would be revealed as the skin over a steel cage welded at 4900 points to a steel platform, forming a monocoque structure.

The engineers braced that sheet-steel floor with cross members to help stiffen the midsection. And

although the side windows are pillarless, the concealed "B" pillar provides additional structural integrity.

Straight-line braking stability

Engineers and not stylists are the heroes behind the Coupe. If this 1¾-ton, five-passenger machine seems to corner flatter and grip the road more tenaciously than you're accustomed to, credit them.

They in turn would credit technological nuggets like fully independent suspension, and *zero offset* steering with straight-line stability, even in panic stops.

Panic stops are further softened by 4-wheel disc brakes. Mercedes-Benz would never build a Coupe or any other car without them.

But *handling brilliance* is only half the tale. The other half is the ride. Over-the-road decorum worthy of an expensive motor car. A *clue*: The shock absorbers' lower chambers are pumped full of *nitrogen* gas as an extra cushion against vibration.

Power assists a purist can love

No brute force is needed to pilot your Coupe about. Power steering, power brakes, and a 4-speed automatic transmission slightly smoother than the human hand are standard features. Wives will approve. And so will driving purists—because these laborsaving devices have been designed to preserve driving "feel" at all costs.

Not a superficial ounce of chrome

Doors over four feet wide swing open to reveal a meticulously ordered cockpit. Electric windows, bi-level climate control and AM/FM stereo radio are all built in, but the mood is less

opulent than crisply businesslike.

For instance, the interior has no dazzling chrome knickknacks to confuse the driver's field of vision. Glare-free gauges are placed so you can check them without breaking visual contact with the road.

The anatomically contoured twin front seats are thickly padded, their springs tuned to the car's suspension. The backrests lock in place *pneumatically*.

And the walnut-root veneer that trims the instrument panel and covers the console is *real* walnut-root veneer.

A delicious dilemma

Which engine version belongs in your Coupe?

Classicists will feel most at home with the 280CE and the familiar traits of its gasoline power plant—supple and responsive in the sporting Coupe manner. And hardly a mundane choice: The 280CE marks the zenith of Mercedes-Benz six-cylinder engine development.

The 300CD allows Coupe devotees to combine their love for elegance with common-sense motoring, and Diesel devotees to combine their love for common-sense motoring with elegance. The power of its 5-cylinder engine is one surprise, the lack of noise and roughness is another. That it offers the established advantages of a Diesel should be no surprise.

But there is ultimately only one way to decide which Coupe best suits your needs. See your Mercedes-Benz dealer and experience them both.



PET



The Route to Personal Success in Business

Boyd Schenk started out as a lab technician. Today he is a chief executive officer of Pet, Inc. How did he get so far? He is a doer whose achievements were visible at the top of his company

BOYD F. SCHENK, president and chief executive officer of Pet, Inc., is a friendly, articulate businessman whose company's sales have doubled since he took over eight years ago. Its earnings have nearly tripled.

At 55, Mr. Schenk is comparatively young for a man in the top position at a billion-dollar, multinational firm. He was 47 when he took the helm of Pet.

In the previous year, 1968, the company's sales were \$537 million and its earnings, \$1.43 a share. In 1977 sales were \$1.1 billion and earnings, \$4 a share.

Once a company with just one product, evaporated milk, the 92-year-old St. Louis firm is now in nearly all areas of the food business. Many of its brand names—Downy-flake waffles, Whitman's chocolates, Old El Paso Mexican foods, Musselman's applesauce—are household words.

"The company's success," Boyd Schenk says, "is due to the people who work there."

"I sit in this office. I can't manufacture the product. I can't sell it or distribute it. There are 17,000 people out there doing those jobs."

His office is on the top floor of Pet Plaza, the company's international

headquarters. Mr. Schenk has a glistening view of downtown St. Louis, the mighty Mississippi River as it flows by the city, and the wide, rich farmlands of Illinois that stretch eastward from the river to the horizon.

Actually, Mr. Schenk doesn't sit in the office very much.

He spends a great deal of time in the field with Pet managers, reviewing their performance. The managers run the company's profit centers—from divisions down to a single warehouse.

Mr. Schenk and the company's three executive vice presidents, who comprise the office of the chief executive, make about 50 such visits a year.

"Our role," he says, "is to provide help and counsel."

Mr. Schenk is intent on creating the kind of environment in which Pet people feel free to use their initiative, skills, and common sense to improve company performance.

"People tend to live and work somewhat below their true level of capacity," he says.

"If we can find out what it is that will make each individual in this company contribute to the best of his abilities, we can achieve a kind of turned-on company that is hard to beat."

In this interview with a NATION'S

BUSINESS editor, Boyd Schenk talks about himself and his executive philosophy.

You grew up in the West, didn't you?

Yes. I was born in Providence, Utah, July 23, 1922. I was reared in Missoula, a little town in western Montana. My family lived there until I was 13.

Generally, people think of Montana as being flat, like the Dakotas. Probably two thirds of the state is that way—really high mountain plains. Then, when you get further west, toward the Rockies, the country really gets rough.

Missoula is down in a valley, right in the heart of the mountains.

What did your father do?

He worked for Amalgamated Sugar Co. at a plant in Missoula. A lot of beet sugar is grown in that area.

Did your dad like that kind of country?

Yes, he loved the outdoors. He was a great hunter and fisherman. He used to take me and my brother and my mother, the whole family, camping out near a good fishing stream, Rock Creek. It was about 35 or 50 miles from town, and that was wild country.

At night, sitting around the campfire in front of our tent, we could hear the coyotes howling in the dark.

As a kid, I used to sit on the banks of the stream where we fished and watch an old mother bear come down to the water and flip the fish out for her cubs.

Where did you go to high school?

In Twin Falls, Idaho, for two years. Then I finished in Rupert, Idaho, where my father was superintendent of an Amalgamated Sugar plant.

Weren't you voted the boy most likely to succeed and elected president of the senior class?

Yes, but it was a small class.

Did you have a business career in mind when you went to college?

No. In 1940 I went to the University of Idaho as a pre-med student. I had always wanted to be a great surgeon. But then World War II came along. I started out as a ma-

chine gunner, but wound up as a surgical technician in the 87th Infantry Division, part of the Third Army.

Wasn't the Third Army Gen. George Patton's command?

Yes. The 87th Infantry Division and the Fourth Armored Division, Patton's favorite outfit, used to work together as a combat team.

After the invasion of Europe, we went straight down the autobahn and ended up at the tip of Czechoslovakia.

Did you see the movie, "Patton"? Remember that scene where Patton was on this muddy, snow-covered road directing traffic? I was there that day.

You didn't go back to medical school after the war?

No. I was accepted at Duke University, but I couldn't see how to finance that long medical training. Besides, I had been in service for three years. Another four years at medical school seemed like an eternity.

What did you do?

I went to work for my father. In 1943 he resigned from Amalgamated Sugar Co. and bought a small wholesale and retail ice-cream business at Buhl, Idaho. He had this dream of having his sons, my brother and me, in business with him.

But it didn't work out too well. My dad was very authoritarian. He wanted to emphasize the retail business, and I wanted to emphasize the wholesale.

The manager of Sego Milk Co.'s plant at Buhl asked me to work for him as a lab technician. Sego was a Western subsidiary of Pet. I had some college training in bacteriology and chemistry. So I took the job. That was in 1947.

And that put you on the path to the presidency of Pet, Inc., 22 years later?

Well, at the Buhl plant I did get visible within the company.

In what way?

We were making evaporated milk there. Basically, we received raw milk, heated it under a vacuum to remove water, and then canned and sterilized it.

The evaporated milk had to have a butterfat content of 7.90—a fed-



Boyd F. Schenk, head of Pet, Inc., confers with two of his executive vice presidents, William N. Harsha and John R. Bittner (right). They and Executive Vice President Landon Y. Jones make up the top management group at the firm.

eral regulation. If the butterfat went below 7.90, you might have to throw away the whole batch, maybe 100,000 gallons of milk.

To play safe, Sego told lab guys like me to standardize the content at 7.96 percent. In other words, Sego was leaving a safety margin for error.

After about the first week, I thought: Now if we could come closer to 7.90, we'd get more cans of evaporated milk from the same amount of raw milk. We could make every gallon of milk go further.

I felt that by making one extra test, to be sure my percentage figure was right, I could get closer to the federal standard without going below it.

How long did the extra test take?

About an hour for each batch, and I processed three a day. So I would

have to work three hours longer to get my day's work done.

What happened?

I began hitting 7.91 or 7.92 percent every time.

Now samples of every batch of milk processed at all Sego plants were sent to Greenville, Ill., where Sego had its central control laboratory. Normally, if the sample came in under 7.96 percent, Greenville sent you a warning telegram, figuring you had made a mistake.

So the telegrams started to fly to Buhl.

In Salt Lake City, Sego's headquarters, they were beginning to bite their nails, too. They rushed the production manager down to Buhl to find out what was going on.

I explained what I was doing, and I pointed out that my method had

One of a series on Murphy's Law: anything that can go wrong, will go wrong. (Unless you prevent it.)



This stripped gear shut down a bank's heating/cooling system for four days and \$2300 worth of repairs.

We'll keep your building running right, or fix it free.

In your building's mechanical system, Murphy's Law is a fact of life. Coupling gears, motors, pumps, valves, controls, boilers, chillers—anything that runs—will wear out and break down. And waste a lot of expensive energy along the way.

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It's good business to run a fine-tuned building.

already saved Sego about \$80,000 on milk costs.

What did Sego do?

I was made a production supervisor and later an assistant plant manager.

Where did you go from there?

To Orland, Calif., in 1952. The Sego milk plant there had the highest operating costs of any. I was sent there to cut costs.

The man I succeeded said: "I don't think much can be done with this bunch of guys. They're pretty independent."

And they were. Each worker had a little farm, or orange grove, or a few acres of almond trees. They weren't totally dependent on the plant for their livelihood.

Did you get costs down?

Yes, for 16 straight quarters, even though the unions were getting the men regular increases.

There are lots of ways to cut costs in a plant like that.

You motivate people to be cost-conscious. You get them to use a lift fork properly instead of jabbing it through a case of expensive cartons. You get more production on the line and more cars loaded with the same number of people. You make sure your equipment is running smoothly; your maintenance men have a lot to do with that.

But basically, I think people who feel good about their work are more productive. If you feel useful and needed, and if you believe that what you are doing is important, you'll be more productive.

It is management's job to create that kind of atmosphere.

Sounds like you learned a lot there.

Most of the lessons I have learned about people I probably learned from those guys at the Orland plant. In a sense, a small plant is a whole corporation in microcosm. At both places, 99 percent of your problems are people problems.

How did you make the jump from a little Pet subsidiary to corporate headquarters in St. Louis?

In 1955 Pet started on the acquisition route. It bought a company called Pet-Ritz Foods and went into a new venture, the frozen food business.

Pet also took over an old, bank-

rupt bakery in Fresno, Calif., and wanted it turned into a frozen pie plant. In early 1956 I was picked for the job of plant manager.

What did you know about frozen foods?

Nothing. I had never even been inside a frozen pie plant. Pet sent me to one in Michigan for a week's training; then I headed back to the coast.

What was your biggest problem in starting this project from scratch?

Getting rid of the old equipment. I sold off so much old equipment that I got the reputation of being a junk dealer. In fact, I almost recovered the cost of the plant from the stuff I sold.

And then?

Then I went out and recruited people to work in the plant.

We hired a young crew—the average age was 22. I didn't want people who were already trained in other, old-fashioned ways of doing things. We were doing something new and different. It's easier to teach someone from scratch than have him unlearn first.

As a result, that plant did extremely well. We set all kinds of production records.

That also drew the attention of Ted Gamble, who was president of Pet. He was very interested in this new venture; it was his baby. In 1958, after I spent two years at Fresno, Ted Gamble brought me to St. Louis to be assistant to the general manager of the Pet-Ritz operation.

So in 11 years you went from a job as a lab technician in Buhl, Idaho, to a position in a corporate executive suite in St. Louis. What was the main reason?

Visibility. In all three jobs I held, in Buhl, Orland, and Fresno, the results were visible in St. Louis. That's what every young man needs who wants a career: visibility.

Reaching the chief executive's office is largely a question of getting better-than-expected results from each assignment. That gets the attention of someone at the top.

What was the next step for you?

In 1955 the company reorganized and made Pet-Ritz frozen foods part

of the food products division. I was made production manager of Pet-Ritz.

I told Ted Gamble I didn't think the structure was right. I thought that putting frozen foods in with other food products was a mistake.

Why?

In the first place, sales. We had evaporated-milk salesmen trying to sell frozen foods. It's a different ball game. It's a much faster track, and you have different kinds of customers.

Also, we had problems coordinating between marketing, sales, and production. We had what we called a coordinating committee. What we needed was all elements of the operation reporting to one guy.

Isn't that what you wound up with?

Yes. In 1961 Ted Gamble told me: "You may be right on this structure. Set up a frozen foods division as a separate operation. You're general manager, and you've got a year to straighten it out."

At the time we were losing about \$1 million a year on frozen foods. Under the new setup we made \$30,000 the first year. It began to grow, and in 1963 I was made president of the division.

When Ted Gamble died unexpectedly at 44, where were you in Pet?

I was executive vice president-operations and part of the office of the president, which had consisted of Ted Gamble and four vice presidents.

What did you do?

All four vice presidents got together and then went to a committee of outside board members who had been appointed by Pet's board to pick Ted's successor. We told the committee that, if they chose one of us, we had all pledged to support whichever one was selected. But, we said, if someone outside of management were named, we would have to decide individually what course we should take.

Why did the committee pick you?

Perhaps because I was the youngest of the four.

What major changes have you made since becoming president?

We have concentrated more on growth from within, but not because I don't approve of acquisitions. The

need to diversify was pretty much accomplished by Ted Gamble.

How do you make big decisions?

I talk to as many people as I can who might shed some useful light on the subject.

Then I like to let that information jell. I guess I'm sort of a believer in psycho-cybernetics. I think you have input all the time into the cerebral computer that we call the brain. So if you can use all the time possible for input, waiting until about the last moment, you can push a mental button and the mechanism will spit out an answer.

I have been accused of being a procrastinator. When I learned about psycho-cybernetics, I discovered I wasn't a procrastinator at all. I was just using the maximum amount of time for input.

How is Pet's management organization structured?

Around the individual—his capabilities, background, and expertise. We tailor our organization to fit the talents our people have. As those talents change, the structure will, too. It's an evolving structure.

Do you have a formal long-range planning program?

Yes. We brought in a man several years ago to set one up. Since then our own people, who trained under him, have been carrying it out.

What kind of goals do you set?

Things like market share. We have a lot of profit centers in the company, too. Each has its own separate objectives and long-range plan. Then we control the operation through the review process.

Could you explain that?

We sit down with managers of a profit center, go over recent performance, and let them talk about their strategies and what they intend to do to reach the goals they have set for themselves.

Who sits in on these sessions?

Any one or more members of the office of the chief executive. That includes me and three executive vice presidents.

How many of these sessions do you sit in on in a year's time?

Close to 50.

How far down does this review process go?

Every department, division, and group must hold at least a monthly performance review. We get a schedule of these meetings, and any one of us, or all four, may just show up and sit in on it.

Many companies pay lip service to the idea of encouraging initiative and giving individuals lots of elbow room. Is that attitude for real at Pet?

Yes, because I believe down to the soles of my feet that that's the best way to get performance out of anyone. Let me cite an example from my own experience.

When I was in high school in Rupert, Idaho, I was in a geology class that was taught pretty much from the textbook. I read ahead and finished the book in pretty short order. From that time on I was bored, and I believe I became sort of a nuisance in that class.

The principal taught the class. He was a savvy guy, and he sensed this restlessness on my part.

So he said: "Look, is there something else you'd like to study in addition to this?"

I said: "Sure, there are quite a few other things."

He said: "You pick out the subjects, and you can study them in the library instead of coming to class."

So I went to the library, and I suppose I studied three or four other subjects—toxicology, embryology, and one or two others. Then the principal gave me a test in geology, and I passed that and got credit for the course.

What's the moral of the story?

Give people a challenge, an opportunity to take it up, and authority to do it their way—and you get results.

What if you take the opposite approach?

Then it's like being in the army. Everything is done by the numbers. You stifle initiative, increase costs, and cut down on productivity.

How do you get people more involved in the job?

By participative management.

And that means?

Letting them in on what's going on. Years ago, when I was a plant su-

pervisor, no one told us much about results. We didn't even know if the plant was making a profit or not. When I became general manager of the frozen foods division, I changed that. The division was losing money then. I went around to all the plants and told the employees that. The employees were surprised. I pointed out that, if a plant keeps losing money, it isn't going to be open very long.

I said that everyone probably knew more efficient ways of doing his own job. I challenged them to do their jobs better.

Then we began to give them progress reports, to which they could personally relate, as to the profitability of their own plant. In a short time profit improved greatly.

Any advice to a young man who wants to get ahead?

As I said, get visible—stand out by tackling every assignment, whether it's getting a single truck loaded with a product or moving a \$200 million profit center ahead, as though it is the most important one in the entire corporation. It is, for you. You must build your career on a base of solid, superior accomplishment.

Also, don't be too impatient. I'm afraid too many young people are much too concerned about a quote, career path, end of quote. Instead of concentrating all their ability and efforts on the present job, they worry too much about that next promotion, which, as a result, may never come.

I have often pointed out to our people that they probably do not have large financial resources to invest—if they did, they wouldn't be seeking a career at Pet. But they are investing what they do have—the sum total of what they have to offer as an individual, the strength of their minds and bodies, their energies and know-how, and that most precious element of all, their time.

It behooves them to get the best possible return on their investment from the full utilization of those personal assets, not so the company flag can fly more brilliantly, but in their own self-interest.

A lot of our people are doing just that. And Pet therefore will continue to move ahead solidly and aggressively, by any measurement. In the final analysis, Pet is people. □

REPRINTS available. See page 32 for details.

How Jobs Fit Into Carter's Welfare Plan

The President's proposed overhaul of the welfare system includes incentives to make it more profitable to work than not to work



Secretary of Labor Ray Marshall, who is out selling the Carter welfare proposals, says they represent "the least inflationary" course of reform.

RAY MARSHALL recalls that, when he was a 15-year-old resident of a Mississippi orphanage, another resident departed silently one day, and the superintendent asked: "Is that the way you are going to go, Ray? Like a thief in the night?"

"No, sir," the future Secretary of Labor replied.

Up to then, he says, he had not given any thought to leaving the orphanage, but after that he did, and he soon concluded he could make it on his own in the outside world.

So he packed all his belongings in a cardboard box one evening, knocked on the superintendent's door, and announced he was leaving.

"I just cut out," says Mr. Marshall, who, after World War II naval service, went on to an academic career. He was a professor of economics at the University of Texas when he was named to the Carter cabinet.

His early background gives the Secretary an empathy for the poor and disadvantaged which comes through as he takes on a task for

President Carter—selling the administration's sweeping welfare reform proposals. Mr. Marshall's primary area of interest is that portion calling for creation of 1.4 million subsidized jobs by 1981 while simultaneously spurring efforts to create more lasting jobs in the private sector. The subsidies would go to governments that create public-service jobs or to private employers that take on workers and train them.

Since March, 1975, the economy has created seven million private-sector jobs, and one million more jobs have been created in various forms of government.

An additional 9.1 million jobs will have to be available by 1981 to reach the administration's goal of a 4.75 percent unemployment rate, Mr. Marshall says.

Cash assistance and jobs

Soon after the Labor Day recess Congress began studying President Carter's welfare reform proposals, which he outlined early in August as a "Program for Better Jobs and Income." Hearings, which began before a special House of Representatives subcommittee in September, are scheduled to end in November.

In the meantime the cabinet officers primarily responsible for welfare programs, Secretary Marshall and Health, Education, and Welfare Secretary Joseph A. Califano, Jr., have been conducting evangelistic forays to enlist support for the proposed major overhaul of the welfare system.

The President's plan has two major thrusts—a comprehensive national program of cash assistance for all low-income persons and families, working or otherwise, and an ambitious employment opportunities program for all people able and expected to work.

The cash assistance program, which Mr. Marshall estimates would cost \$19.2 billion annually by 1981, is designed to provide an improved and more uniform system of income maintenance for people who can't support themselves because of age, disability, or family circumstances. Cash assistance would also go to families with employable members as well as to employable single persons and childless couples.

Critics of this phase of the plan argue that it is nothing more than a rehashed version of previous proposals to create a guaranteed annual income and would simply add several million people to already-bloated welfare rolls.

While business has never favored the concept of a guaranteed annual income, there is some initial business support for the job opportunities program advanced by the administration. This portion of the welfare plan, Mr. Marshall says, would cost \$8.8 billion annually—up from the \$5.9 billion now going to the Comprehensive Education and Training Act and other job programs.

Business questions whether the cost can be held to \$8.8 billion. Holding it at that level is predicated on the economy improving and addition of no more than 675,000 full-time and part-time jobs to the 725,000 called for in current programs. The key, business leaders say, is how well the government does at placing people in private-sector jobs.

Unions are a roadblock

As is to be expected, organized labor looms as a major roadblock in the selling of a jobs program such as this. Unions will continue to be skeptical of the idea of creating subsidized jobs that can pay the minimum wage rather than the prevailing wage. Business leaders argue that to require more than the minimum wage would be inflationary.

In all, the President's plan would cost \$30.7 billion annually, the administration says, but it adds that this represents an increase of only \$2.8 billion over programs that now cover 11.2 million people. In addition to the \$19.2 billion for cash assistance and \$8.8 billion for job opportunities, there would be \$0.6 billion for emergency assistance block grants, as well as \$1.5 billion and \$0.6 billion, respectively, in revenue losses due to earned income tax credits and child care deductions.

"What we have put together is the least inflationary alternative," Secretary Marshall says.

At a symposium on regional growth held at the Lyndon B. Johnson Library in Austin, Texas, the Secretary tried to allay many doubts.

"The aspect of this welfare reform proposal that makes it different from the previous proposals is, I think, that we have developed a workable jobs program," he said.

Other proposals, he said, envisaged people moving into the labor market and off welfare dependency, but never provided the jobs.

Anticipated demand

Two independently developed computer models were used to prepare estimates of the likely need for job and training spots. Both models, Mr. Marshall says, indicate that under anticipated economic conditions, with an unemployment rate that can be expected to be 5.6 percent, demand will exist for the 1.4 million subsidized jobs in 1981. That is, if the administration is to achieve its goal of a 4.75 percent unemployment rate then.

Some two and a half million workers each year would be expected to pass through the 1.4 million slots because many are expected to move up to better jobs.

It is estimated that job-takers would be split about 50-50 between men and women, with the majority of the women being single-parent heads of families. But 40 percent of the participants would be from families of the type currently eligible for AFDC—aid to families with dependent children.

About 70 percent would have had recent work experience, but most would need extensive pre-employment orientation and training.

The major goal of the Carter proposals, Mr. Marshall explains, is to encourage employable members of low-income families and other low-income persons to get adequate paying jobs in the regular economy.

In the case of families with children, however, if no regular job paying at least the minimum wage could be found, the federal government would step in and provide a public-service job.

"This is not a work-for-your welfare program," Secretary Marshall says. The program, he explains, is designed for all families with children and not just welfare recipients.

"You need not be on cash assistance to get into the program, and you would not lose cash assistance if you turn the program down," he

says. "However, turning down a job without good cause would result in reduced cash benefits for an expected-to-work family."

The Carter proposals do not envision imposing either an income or asset limit on job eligibility. Such tests, Secretary Marshall says, not only would greatly increase administrative complexity, but also might arbitrarily exclude or discourage people who both need and want to work.

Self-rationing feature

To ensure that program benefits reach those most in need, the Carter plan relies on requirements that Mr. Marshall contends would make the job program "self-rationing":

- Eligibility for the subsidized jobs would be limited to adult members of families with children.
- Only one member of such a family would be provided with a subsidized job or training opportunity.

"This self-rationing feature also meets another requirement for a workable system," the Labor Secretary notes. "One of the most important considerations we had in putting the program together was that we should always maintain a system of incentives for people to take jobs."

Included in the incentive system are provisions designed to ensure that people make more money by working than by not working. And they would make more in regular jobs in the private sector than in the subsidized jobs.

"These subsidized jobs must not compete with jobs available in the regular economy," Secretary Marshall says. "As a result, the wages for these jobs would be set at the state or federal minimum wage rate, whichever is higher."

There is an exception, however. States would be allowed to supplement the minimum wage by ten percent for the public-service jobs, using federal funds.

Carter administration planners have also proposed several features they say are designed to avoid disruptive effects on the economy.

First, a five-week initial job search period would be required before an individual could be placed in a sub-

sidized public-service job. If, during this five-week period, the individual is offered a job at prevailing wages, but no lower than the subsidized job's wage, he or she would be required to take it.

Not make-work

After holding a subsidized job for 52 weeks, an individual would be required to undertake another five-week period of intensive job search.

The public-service jobs, Secretary Marshall says, would be in useful work which is not normally performed by regular public or private-sector employees.

People in these public-service jobs would earn 13 percent more than the poverty level. People in a regular private-sector job, making the minimum wage, would earn 20 percent more.

A cash supplement for the working poor to increase incomes, depending on family size and income and asset status of the individual, would be part of the cash assistance system. While the jobs program would have no asset and income test, the cash assistance side would.

Another component of the incentive system is an expansion of the earned income tax credit, which would not apply to the subsidized jobs, but only to regular private-sector jobs. This would make it possible for low-income people who work to get not only a tax credit of ten percent of the first \$4,000 of their earnings, as they now can in unsubsidized jobs, but also five percent of earnings between \$4,000 and \$9,100, and lower percentages at higher income levels. The cutoff for a family of four, for example, would be \$15,600, and for a family of seven, it would be \$22,000.

When all of these things are combined, the Carter administration believes, people in the jobs program would be able to earn enough to get themselves out of poverty.

A big task for the administration is to convince both business and organized labor on the matter of the wages that would be paid to the holders of the 1.4 million federally created jobs. Mr. Marshall argues that raising the minimum wage is a critical part of welfare reform.

"You are not likely to be able to develop an incentive system to get people to work if they make a lot less from working than they do for not working," he says.

Business organizations, such as the Chamber of Commerce of the United States, are busy analyzing the Carter proposal, weighing many factors, not the least being the effect of rises in the minimum wage. Business leaders say that each projected increase would push up the proposals' costs. And costs would be still higher if the economy fails to perform, and sufficient private jobs are not available.

Revisions likely

There is no assurance yet that the Carter administration proposals will get past the discussion stage anytime soon. Many questions are being raised, and the plan is likely to undergo massive revisions.

Both business and organized labor have serious reservations.

Organized labor insists that the first priority is job creation. As noted earlier, the unions will resist any plan that proposes to pay the minimum wage rather than the prevailing wage. Also, organized labor will want an open-end guarantee that there will be as many public-service jobs as are needed.

Business, which is equally in favor of job creation, will continue to support programs that emphasize creation of permanent positions in the private sector. However, business will resist proposals to establish a guaranteed annual income or guaranteed jobs, either of which would have a heavy price tag.

The business community wants welfare reform, but not changes that are exorbitantly costly. Also, business doesn't want a welfare program that continues providing benefits to strikers—and so far, the administration has steered clear of this controversial subject.

In addition, business dislikes the idea of the earned income tax credit going to people with incomes twice the poverty level, which stands at about \$7,000 for a family of four.

A fixture in the economy?

A major business fear is that the Carter proposals, if adopted, will make a guaranteed job program a permanent part of the economy, and make the government the employer of first resort.

So Secretary of Labor Marshall has two jobs ahead—a tough selling job and an even tougher job of delivering, if the Carter proposals are adopted. □

Bringing the Veterans Back Into the System

The Vietnam war produced a new type of casualty—as many as one million veterans have given up trying to find jobs

AS MANY AS one million disillusioned Vietnam war veterans have dropped out of our economic system and no longer seek jobs.

Roland R. Mora, a 39-year-old disabled veteran, has taken on the challenge of bringing them back into the mainstream and keeping them there with the help of businesses of all sizes.

Mr. Mora, the Labor Department's first deputy assistant secretary for veteran employment, is expected to announce soon an ambitious outreach program.

It will be an effort to locate disenfranchised veterans, most of whom are thought to be in the nation's ghettos and barrios, convince them that America hasn't closed the door on them, and induce them to try once more to find employment.

At the same time the Labor Department will be accelerating a wide-ranging program to make the public aware of the situation and to enlist the aid of the entire business community to provide the jobs.

"We have to reconstruct the lives of the Vietnam veteran," Mr. Mora says with the zeal of an old-time evangelist. "Many, after looking for jobs for two or three years, have checked out of the system. I estimate this number to be as high as a million."

Mr. Mora warns that, if he is correct in his estimate and successful in



Roland R. Mora, a Marine veteran, is the Labor Department's top official in the field of veterans' employment.

bringing the veterans back to the employment lines, the percentage of unemployment—now hovering around seven percent—is going to skyrocket. That, he says, is a small price to pay for trying to return human resources to productive use.

Figures don't tell

Labor Secretary Ray Marshall notes that the true size of the number of veteran dropouts isn't reflected in current Bureau of Labor Statistics reports because BLS doesn't count those who are not looking for jobs. But the official unemployment rate for Vietnam veterans is running twice that of the general population.

"I think it is a national disgrace the way the nation has discriminated against Vietnam veterans," Secretary Marshall says. "Our treatment of them has always been shabby."

"Regardless of how much guilt we as a people have about the Vietnam war, we ought not to transfer it to the veterans."

He says that some veterans have lost out on jobs because of prejudice against those who served in Vietnam. Others, he says, have stopped looking for jobs because they sensed prejudice.

"The veterans know that this was an unpopular war and that they weren't welcomed back like the World War II veterans," he says.

Mr. Mora estimates that 500,000 Vietnam-era veterans are among the

nation's prison population. He recently visited a Midwestern state prison in which 39 percent of the inmates had served in the armed forces during the Vietnam war.

"I don't think the American people can grasp that," he says softly. "It will rip them apart. I don't think America is ready to know."

Yet he brings the fact up in discussions, emphasizing that it cannot be ignored. Unemployment, he argues, is the root cause of the crime among Vietnam-era veterans.

"We have a responsibility for what has happened to those men," he says, "and if we don't do something, we are really toying with a ticking time bomb."

Business effort under way

Finding jobs for veterans has been an ongoing effort in the business community for years, starting with the Job Opportunities in the Business Sector program, which is conducted by the National Alliance of Businessmen. NAB reports success in finding jobs last year for 122,000 Vietnam-era veterans, along with jobs for 235,000 others from disadvantaged backgrounds. The Chamber of Commerce of the United States supports this and other efforts to find jobs for veterans.

Last April President Carter sent a personal letter to the chief executives of 450 major firms asking their participation in a new veterans' job program called HIRE—Help Through Industrial Retraining and Employment. HIRE's goal is 100,000 jobs this fiscal year.

This is part of an effort to find 750,000 jobs for veterans, either in public service or private industry, through the Comprehensive Employment and Training Act. The President has earmarked \$140 million in CETA funds for HIRE to assist companies with the cost of training the veterans they employ. NAB and the Labor Department's Employment Service will do the development, promotion, and recruiting.

The thrust of the new effort led by Mr. Mora is to go to the ghettos and barrios on the one hand and, on the other, to organize millions of employers not generally touched by the NAB program.

Existing outreach program

Mr. Mora will expand the existing Disabled Veterans Outreach Program, in which the Labor Depart-

ment has hired more than 2,000 disabled veterans to serve as job counselors and job developers for fellow veterans. They work out of state-run employment offices on a \$20 million budget.

Also, Mr. Mora hopes to create a voluntary cadre of other Vietnam veterans to assist in the counseling.

A jobs-for-veterans program was one of the first programs President Carter announced following his inaugural. Secretary Marshall was given the task of finding the right man to head the program. He found Mr. Mora, who was a special assistant to the Secretary of the Air Force.

He has been there

Mr. Mora, a retired Marine Corps captain, has reason to understand the problems of the Vietnam veteran.

Born in Albuquerque, N. Mex., of an Apache father and a Hispanic mother, Roland Mora was raised in the Chicano barrio of Los Angeles. He graduated from the University of Southern California and spent 12 years in the Marine Corps. He was in the initial unit of the Third Marine Division that landed in South Vietnam in 1965.

Medically retired in 1969, he went job-hunting. "The system failed me three times," he says.

In 1969, 1973, and 1976 he applied at the state-run, federally funded employment service in California. Each time he failed to get any counseling, let alone any job referrals.

"I was beginning to think there was really something wrong with me," he says with a wry smile.

Worked for Carter

To support his family, Mr. Mora sold insurance and encyclopedias from door to door. In 1971 he established a private investment company and was its general manager until 1973, when he became an organizer in the Cesar Chavez-led United Farm Workers' movement.

Then, early in 1976, he decided to support Jimmy Carter and was taken on as a campaign advance man.

Roland Mora arrived in Washington shortly before the Carter inauguration to help the inaugural committee run a galaxy of balls ushering in the new administration. He wasn't planning to stay, but he was offered the position with the Secretary of the Air Force, and he took it.

Now the former job-hunter has another job—a bigger one. □

Seeking a More Meaningful Gauge of Joblessness

A new federal commission will take a close look at the way the government compiles unemployment statistics used in allocating billions of tax dollars

STATISTICS the federal government compiles on monthly employment and unemployment determine to a major degree how some \$16 billion is distributed to states and localities annually.

Federal funds for public works projects, job training, public service jobs, and extended unemployment benefits are among those allocated on the basis of the unemployment figures from the Bureau of Labor Statistics.

The overall jobless rate announced monthly by the bureau is also considered a major barometer of national economic trends. Unemployment figures for individual regions, states, and localities are used as measures of their relative prosperity.

Is the picture accurate?

As the unemployment rate has assumed more and more importance, concern has grown within and outside of the government over whether the methods used to measure the number of Americans with and without jobs produce an accurate picture.

One of the questions raised most often is whether the overall jobless rate, which is generally cited as the bottom line of the balance sheet of the working and the jobless, is a realistic measure of economic hardship.

The overall unemployment rate lumps together, for example, a breadwinner with several dependents, who has lost his job, and a teenager who would like a summer job to earn some extra spending money.

Including in the overall unemployment rate persons whose joblessness causes no economic hardship to

themselves or others distorts the true impact of unemployment, critics say.

On the other side, it is argued that the jobless rate actually understates the unemployment picture because it does not cover persons who have stopped looking for work after long, fruitless searches.

As a result of these and other criticisms that have been raised about the job picture, Congress has created the National Commission on Employment and Unemployment Statistics. The commission will make a close study of the way the federal government determines the number of individuals who are in the labor market, how many want jobs but do not have them, and how many are working.

The commission will address two major questions:

- How accurately do jobless statistics measure real hardship both nationally and within state and local areas?

- How efficiently and equitably do the indices operate as a foundation for policy and the distribution of public funds?

Legislation creating the commission specifies that its nine members be drawn from the fields of business and finance, labor, education and training, economics and statistics, state and local government, and the general public.

The commission chairman

Sar A. Levitan, research professor of economics at The George Washington University and head of its Center for Social Policy Studies, has been named commission chairman by President Carter.

Other members are expected to be named shortly. The commission's final report and recommendations are due within 18 months after the first five members have been appointed, although it may issue interim reports.

In addition to the nine regular members, seven members of the executive branch and six members of Congress will serve as advisers.

Executive branch representatives are the secretaries of Labor and Commerce, the commissioner of labor statistics, the director of the Census Bureau, the director of the Office of Management and Budget, the chairman of the National Commission for Manpower Policy, and the chairman of the Council of Economic Advisers. The six members of Congress—three Democrats and three Republicans—will be chosen from the Joint Economic Committee, the Senate Committee on Human Resources, and the House Committee on Education and Labor.

No criticism intended

At hearings before the Senate Committee on Human Resources, Dr. Levitan said creation of the commission was not intended to reflect on the work of the Bureau of Labor Statistics or of the Census Bureau, which also gathers economic data the commission will review.

"Both agencies have established an outstanding statistical track record, given current concepts and methods," he said, "but due to institutional constraints and strong pressures from various sources, it has proven difficult to effectuate changes that many technicians in the federal establishment believe are necessary." □

The Ultimate Tax Shelter



by
TED NICHOLAS

Tax experts are now referring to a small, privately owned corporation as "The Ultimate Tax Shelter." This is especially true since the passage of the Tax Reform Act of 1976. This law makes most former tax shelters either obsolete, or of little advantage. Investments affected include real estate, oil and gas drilling, cattle feeding, movies, etc. These former tax shelters have lost their attractiveness. Aside from that, these tax shelters required a large investment. Only a small segment of the population could benefit from them.

I've written a book showing how you can form your own corporation. I've taken all the mystery out of it. Thousands of people have already used the system for incorporation described in the book. I'll describe how you may obtain it without risk and with a valuable free bonus.

A corporation can be formed by anyone at surprisingly low cost. And the government encourages people to incorporate, which is a little known fact. The government has recognized the important role of small business in our country. Through favorable legislation incorporating a small business, hobby, or sideline is perfectly legal and ethical. There are numerous tax laws favorable to corporate owners. Some of them are remarkable in this age of ever-increasing taxation. Everyone of us needs all the tax shelter we can get!

Here are just a few of the advantages of having my book on incorporating. You can limit your personal liability. All that is at stake is the money you have invested. This amount can be zero to a few hundred or even a few thousand dollars. Your home, furniture, car, savings, or other possessions are not at risk. You can raise capital and still keep control of your business. You can put aside up to 25% of your income tax free. If you desire, you may wish to set up a non-profit corporation or operate a corporation anonymously. You will save from \$300 to \$1,000 simply by using the handy tear-out forms included in the book. All the things you need: certificate of incorporation, minutes, by-laws, etc., including complete instructions.

There are still other advantages. Your own corporation enables you to more easily maintain continuity and facilitate transfer of ownership. Tax free fringe benefits can be arranged. You can set up your health and life insurance and other programs for you and your family wherein they are tax deductible. Another very important option available to you through incorporation is a medical reim-

bursement plan (MRP). Under an MRP, all medical, dental, pharmaceutical expenses for you and your family can become tax deductible to the corporation. An unincorporated person must exclude the first 3% of family's medical expenses from a personal tax return. For an individual earning \$20,000 the first \$600 are not deductible.

Retirement plans, and pension and profit-sharing arrangements can be set up for you with far greater benefits than those available to self-employed individuals.

A word of caution. Incorporating may not be for you right now. However, my book will help you decide whether or not a corporation is for you now or in the future. I review all the advantages and disadvantages in depth. This choice is yours after learning all the options. If you do decide to incorporate, it can be done by mail quickly and within 48 hours. You never have to leave the privacy of your home.

I'll also reveal to you some startling facts. Why lawyers often charge substantial fees for incorporating when often they prefer not to, and why two-thirds of the New York and American Stock Exchange companies incorporate in Delaware.

You may wonder how others have successfully used the book. Not only a small unincorporated business, but enjoyable hobbies, part time businesses, and even existing jobs have been set up as full fledged corporations. You don't have to have a big business going to benefit. In fact, not many people realize some very important facts. There are 30,000 new businesses formed in the U.S. each and every month. 98% of them are small businesses; often just one individual working from home.

To gain all the advantages of incorporating, it doesn't matter where you live, your age, race, or sex. All that counts is your ideas. If you are looking for some new ideas, I believe my book will stimulate you in that area. I do know many small businessmen, housewives, hobbyists, engineers, and lawyers who have acted on the suggestions in my book. A woman who was my former secretary is incorporated. She is now grossing over \$30,000 working from her home by providing a secretarial service to me and other local businesses. She works her own hours and has all the corporate advantages.

I briefly mentioned that you can start with no capital whatsoever. I know it can be done, since I have formed 18 companies of my own, and I began each

one of them with nothing. Beginning at age 22, I incorporated my first company which was a candy manufacturing concern. Without credit or experience, I raised \$96,000. From that starting point grew a chain of 30 stores. I'm proud of the fact that at age 29 I was selected by a group of businessmen as one of the outstanding businessmen in the nation. As a result of this award, I received an invitation to personally meet with the President of the United States.

I wrote my book, *How To Form Your Own Corporation Without A Lawyer For Under \$50*, because I felt that many more people than otherwise would could become the President of their own corporations. As it has turned out, a very high proportion of all the corporations formed in America each month, at the present time are using my book to incorporate.

Just picture yourself in the position of President of your own corporation. My book gives you all the information you need to make your decision. Let me help you make your business dreams come true.

As a bonus for ordering my book now, I'll send you absolutely free a portfolio of valuable information. It's called "The Incom Plan" and normally sells for \$9.95. It describes a unique plan that shows you how to convert most any job into your own corporation. You'll increase your take-home pay by up to 25% without an increase in salary or even changing jobs in many cases. If you are an employer, learn how to operate your business with independent contractors rather than employees. This means that you'll have no payroll records or withholding taxes to worry about. And you'll be complying with all I.R.S. guidelines. "The Incom Plan" includes forms, examples and sample letter agreements to make it possible.

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Why It's Cheaper to Buy Than to Build

When Red Metal, Inc., looked down the road, the signs seemed to say: Expand.

True, copper prices had plummeted. But on the horizon, the skies looked bluer.

The board decided on expansion, but it vetoed opening a new surface mine. Too expensive, board members ruled.

Instead, Red Metal bought out another copper company with open-pit mines of its own.

This fictitious illustration has many counterparts in the real corporate world.

Recently J. Ray McDermott & Co., Inc., a New Orleans construction firm, bought control of Babcock & Wilcox Co., Inc.

McDermott paid \$62.50 a share for 45 percent of the stock of the big boiler manufacturer. A few weeks earlier the stock had been selling for \$48 a share.

MCA, Inc., is another example. The movie-maker that put "The Sting" and "American Graffiti" on the silver screen was cash rich. Soft drinks seemed like a good market to invest in.

Start up a company from scratch?

That was a possibility, but costly. Instead, MCA offered \$30 a share for 4.3 million shares of Coca-Cola Bottling Co. of Los Angeles.

Shortly before the offer the stock was selling for \$22 a share.

The Los Angeles bottler says the offer is illegal and inadequate. It went to court to block the takeover.

"Today's merger mania is every bit as frenzied as in the late '60's," says Yale Hirsch, investment adviser and publisher of "The Mutual Funds Almanac."

One reason, he says, is that it is impossible to build new factories "without expenditures greatly exceeding original cost."

But there are other reasons as well.

Washington is one, some economists say. Corporate investment in new plant and equipment is far lower than it should be at this point in the business cycle.

More production facilities mean more jobs. But on the Potomac, business has long been a favorite whipping boy. Thus, business often lacks the

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confidence, if not the capital, to build.

One observer sums it up like this: "The chickens are coming home to roost."

How to Make Sure Your Records Aren't Lost

"I aged ten years in a day."

That describes how the data processing manager felt.

He worked for the finance department of a Southwestern state government. One sunny morning when he went to pick up an important computer tape file, he discovered it was missing.

Bad news, but not a disaster.

"I'll reconstruct it from the punch cards," the manager said.

That was before he learned that 2,000 of the cards had been spindled and mutilated to make Christmas wreaths for an office party.

The information, says the Dataguard division of Novo Communications, Inc., a New York data storage firm, could not be replaced.

Theft, loss, mishandling, stray radar waves, or a magnet wielded by a disgruntled employee can destroy invaluable records on data tapes or disks.

In fact, few businessmen don't have

their own collections of horror stories about the loss or destruction of computer data.

What's the answer?

Dataguard says the answer may not be obvious. Most firms take the precaution of a backup file, but that's not always protection enough. Here is some advice that Dataguard offers:

- Don't rely solely on punch cards for backup. Have duplicate records on tape or disks.

- Make sure your spare is kept in storage that's fireproof and equipped with monitors for temperature, humidity, and magnetic fields.

Also, Dataguard says, it is a good idea to make sure backup records are available for delivery to you, day or night.

Finding a Speaker for Your Meeting

Like to have Patrick Caddell, President Carter's pollster, or Ralph Nader address your business meeting?

Both would be glad to—if their calendar is clear.

Mr. Caddell's fee is \$2,500 plus expenses. At that price, he comes a little higher than Peter Drucker. Consultant

Drucker's fee is \$2,000 plus expenses. His topic: "Making Your Business and Yourself More Effective."

Consumerist Nader's fee "varies." So does that of columnist Art Buchwald, whose topics are humor and Washington politics.

This information comes from a 143-page directory, "Finding the Right Speaker." It is published by the American Society of Association Executives, Washington, D. C., and is \$10 to non-members.

The directory lists alphabetically nearly 800 speakers ready to discuss topics that run from "The Art of Communication" to "Women in Society." The book is indexed geographically and by subject matter.

The list was compiled from information supplied by ASAE members on speakers who had appeared for them, with particular success, in the past year.

It is not all-inclusive. "There are many excellent speakers not included in this list," ASAE says.

Also, the organization cautions:

"Subjects, fees, and audiences vary greatly for any individual speaker, depending on time, location, and circumstances." □



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Risk Management: New Ways for Business to Insure Against Loss

By John Cosgrove



ILLUSTRATION BY JERRY DADO

ANY SMALL to medium-size business shares a basic objective with IBM, United States Steel, and General Motors. All are resolved to keep going and growing.

But no commercial venture, from the largest to the smallest, can count on realizing this desire if it lacks a protection plan to safeguard its assets.

Businessmen too often equate protection plans with a fistful of insurance policies. However, the soundest program often subtracts policies and adds other tested methods, like modern loss control, of guarding a business against threats to its profit and progress. The new techniques add up to a process that meets many of the governmental and legal requirements of the day as well as the demands of consumers, ecologists, and others.

Operators of modest enterprises

often throw up their hands when such activities are recommended. They concede that a protection plan might make sense for the "big guys" but can't see a similar need in their own shop.

That argument does not stand up when you look at what happens every day to both the big and the little.

When disaster strikes

A short time ago, the Warner-Lambert Co., Morris Plains, N. J., and four of its executives were indicted on charges of second-degree manslaughter and criminally negligent homicide. The charges grew out of an explosion in November, 1976, that wrecked the company's chewing gum manufacturing plant in Long Island City, N. Y., killing six persons and injuring others.

The blast tore through the fourth


floor of the plant while employees were working round the clock.

Queens District Attorney John Santucci charged that Warner-Lambert had operated its plant in "reckless and conscious disregard for the lives, safety, and security of its employees."

He accused the firm of failing to heed warnings from supervisory personnel and the company's insurer that the buildup of magnesium stearate dust, a lubricant used in making gum, was hazardous.

Fire officials had initially concluded that the explosion was caused by an accidental spark that ignited the dust. But the case was reopened after a series of articles in the "New York Daily News" alleged that the company had been warned of the possibility of a blast.

The company said it would vigor-



COMMENTS ON RISK MANAGEMENT

By Wayne L. Naugle
President, Professional Insurance Agents

The most commonly used risk management tools in the small-to-medium-size business are:

1. Selection of property and liability deductibles.
2. Noninsurance or self-insurance of those exposures that present minimal loss potential.

These two methods are easy to understand and are now widely used by many businessmen. Both methods result in premium savings, helping to free up insurance dollars for the more serious exposures.

To make an intelligent choice, though, the businessman, with the help of his agent or broker, must calculate the dollar amount of uninsured losses that could occur in any given fiscal year.

This is important: We must de-

termine how much the businessman might be called upon to pay himself from all sources of loss, and then relate that noninsured loss potential to the premium savings. When we look at both things—the uninsured loss potential vs. the premium savings—we can make an intelligent choice.

As to the size of the businessman's loss retention, I like to relate it to the firm's ability to pay these uninsured losses. As a general rule, uninsured retentions should not exceed two to three percent of the firm's gross income.

Bear in mind also that uninsured casualty losses are generally a valid business deduction, so the tax credit has an effect on the net amount of funds that must be allocated to uninsured losses.

ously defend itself against the "outrageous and unsupported charges," adding that expert witnesses had told a grand jury the tragedy was "an unpredictable accident caused by a freak set of circumstances."

This incident is cited as an illustration of the frightening exposures of a large and prominent organization.

A retailer sued

A less sensational but equally tragic episode shows what the small entrepreneur is up against. This case involved an owner of a small store and a customer who was a do-it-yourselfer.

The customer's wife and son were asphyxiated when gas seeped from a home furnace he had installed. The store owner pointed out that the furnace had been sold and delivered in its original factory-sealed crate. Accordingly, the merchant said, the accident was the result of improper installation.

However, the customer sued and won on the contention that the merchant had the responsibility of inspecting the furnace before selling it to him. The customer said he had relied on the store's advertisements, which claimed that anyone could install the apparatus.

Since most businessmen do not operate manufacturing plants, they need not worry about explosions causing death. But quite a few merchants along our Main Streets could find themselves in the plight of the store owner who sold the furnace.

Need for risk management

Surely his experience was far worse than the routine many small businessmen regard as just too much fuss: inspecting their shop, pinpointing conditions that may expose them to loss and correcting them, measuring the impact of a loss on the business, practicing loss control, and making sure their insurance coverage is the best.

The process, usually called risk management, is an integral part of corporate planning in many of the largest and most efficiently run organizations. These companies adopted the concept many years ago. The process is directed by corporate officers, often called risk managers, who have their own assistants and sometimes even their own departments of safety experts.

Risk management, which is an art

THE HEART OF RISK MANAGEMENT

Maintaining a loss control program may be regarded as a response to new and increasing pressures on American business. It is that. But it is something more: A rare opportunity for businessmen to become a primary force in the social fields in which they have been found wanting by their numerous critics.

This can best be achieved through normal day-to-day activities and not through forays into do-goodism.

Meeting social, economic, and legal demands is often a matter of obeying the law. It is always a hardheaded profit and loss consideration.

Joseph T. Ling, a vice president of the 3M Co., St. Paul, Minn., has put the case well. Describing how his organization overcame a pollution problem, he said: "In our com-

pany, this approach is likely to become standard: Required not only by government regulation, but by the economic forces of competition and resource shortages."

He explained that resource-conservation technology means eliminating the causes of pollution before going to the expense involved in cleaning up afterward.

"It also means learning to create valuable resources from pollution, like the making of nylon from the waste by-products of petroleum some years ago."

The appeals of ecologists to preserve the environment take on new meaning when couched in Mr. Ling's practical terms. They persuade the business executive to appreciate the opportunity of combining his practical responsibilities with his humanitarian instincts.

and not a science, has also gained a place in a broad strata of firms that are not huge, but are sizable. Here the person in charge of guarding assets against risk may have an assistant or two but not usually a corps of helpers.

How about the small to medium-size business? It shares the basic aims of big business and needs fool-proof protection to achieve them. But it doesn't follow that smaller businesses should emulate all of the features of the risk management programs of a corporate giant.

Any firm of any size can select from a big business model those protection principles that it needs.

What can be done

Giant business organizations undergird their resources with the strongest possible foundation:

- Identification of exposures.
- Evaluation of loss impact.
- A program of loss control.
- Insurance of several kinds. One

is the traditional type of insurance placed with private carriers. The policies probably have sizable deductibles, a feature which leaves the insurers the burden of paying really significant losses, while the insured retains responsibility for smaller losses up to a certain amount. Deductibles reduce loss frequency and processing work for insurers, and the customer benefits by premium savings.

Then there is self-insurance.

This involves setting up reserves to meet payment when certain losses occur. Sometimes the insured will buy from private carriers an excess policy to cover amounts above a limit that seems sensible to pay out of self-insurance resources.

Finally the really large firm may form its own underwriting facility—called a captive insurer because it is owned by the customer who is insured.

Consulting the experts

Any business person seeking a solid plan to sustain his company's operations and insure its future should start by meeting with protection advisers. At such sessions, the representatives of the small, medium-size, or larger company may vary from sole owner, to partner, to general manager, or to a part-time or full-time insurance manager. The adviser will be an agent or broker who has long served the firm, a specialist

from a company that sells direct to the customer, or even an outside consultant.

A complete discussion of the potential values of risk management will include topics that some clients may consider elementary. Businessmen should abandon this attitude, if they have it. A hard look at fundamentals is vital to refinement of whatever protection program is already in effect.

What an agent can do

George T. Frazier, president of the Independent Insurance Agents of America, has noted that rising rates alone often make an effective risk management plan—with emphasis on loss control—a must. But Mr. Frazier points out that there are other basic reasons as well:

"The most important one is that the disciplines of such plans are the best guarantee of preserving the continuity and prosperity of a firm—large or small. The modest operation can emulate the practices of larger organizations to the appropriate degree.

"Risk management includes a good deal more than arranging sound in-

surance coverage, important as that is. It also deals with a great many technical considerations that customers cannot and should not handle without help.

"The independent agent provides that help by arranging insurance company services: safety inspection, cleanup, establishment of safety programs, rechecking at proper intervals, and other initial and ongoing functions.

"In short, the agent performs duties similar to those of the risk manager and while doing so trains the insured to play a major role in the procedures."

Mr. Frazier advises his colleagues and the commercial operators they serve to adopt the risk management procedure only to the appropriate degree.

Four steps to curb loss

Here is how the experts develop in four steps the protective foundations shown at the base of the chart on page 80.

1. Identify your exposures to loss.

The chart shows the four main categories under which losses occur. Vertically on the left side are the

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AN IDEA WHOSE TIME HAS COME

Frank Schiff, chairman and chief executive officer of Schiff Terhune International, New York-based insurance brokers, had this to say about protection programs:

"We have been hearing more about risk management recently because industrial and commercial insureds have been self-insuring larger and larger parts of their loss exposures. It was inevitable that this trend would develop in the wake of higher premium rates, inflation, and tight money.

"Risk management is not a new concept to us. We have been providing this kind of service to our larger clients for many years. I have always felt that our basic function, as insurance brokers and

risk managers, was to identify clients' exposures to potential losses and to recommend ways to eliminate or reduce them.

"What is new about risk management is that the idea has caught on and is growing within business of all sizes, and I am confident this development is here to stay.

"There will always be problems of cash flow, especially during inflationary times. Insurance costs will not be reduced in the near future unless there is a drastic reform in the tort laws. But the times are such that neither of these problems would seem to be subject to any possibility of abatement."

resources that can suffer (and sometimes cause) loss. In the appropriate boxes are the more obvious perils that can bring financial woe if the resources of a business are affected under one or more categories.

Some outstanding exposures that apply to a given category are listed directly below the category.

2. Evaluate the impact of loss.

Once exposures are identified, the next logical step is to determine which losses would inflict the harshest financial suffering, up to and including possible bankruptcy. These should be categorized as critical and treated accordingly.

Obviously, the task of pinpointing potentially calamitous loss situations will demand more and broader skills than the protection adviser has, as he will be the first to admit. Advice from the company's legal department or from outside counsel will be needed in view of the grossly inflated awards that are customarily handed out in cases involving a firm's liability to others.

Accounting know-how will be indispensable in assessing the ongoing costs of an interruption in business activity and how long an organization could survive such erosion. Other experts may be needed in evaluating loss impact. This is a complex procedure, involving even the uncertain art of forecasting.

It goes without saying that all loss projections must be based on a current and accurate evaluation of a company's assets. Where these figures are not available, an appraisal may be recommended by the protection adviser.

Since continually changing conditions affect potential losses, their impact on a business must be reviewed periodically. One good method is to reassess a few situations at a time on a regular schedule. Thus, at all times the businessman and his adviser will have reliable guidelines in dealing with those loss situations that are potentially critical, others that are important, and the rest that are relatively unimportant.

Studies have shown that considerable misvaluation of resources is a regular occurrence.

This warning, which the competent protection adviser will probably anticipate, is worth noting: The businessman should make sure he understands the basis of values on which an insurer will settle claims. If the customer's values are overestimated,

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
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as they often are, the outcome can range from disappointment to tragedy.

Clarifying in advance any variance in values between the client's figures and the insurer's mode of payment is as important a service as any adviser can provide.

Statistics on the frequency and severity of past losses have long been a help in assessing the future. But nowadays, with the economic, social, and legal climate shifting so speedily, new techniques are needed. Risk managers of large corporations can resort to computerized analysis of pertinent data. A somewhat similar

convenience is being offered to small and medium-sized businesses by independent analytical service firms and by some big insurance brokerage houses.

3. Maintain loss control.

By any standard of measurement, this is the most significant phase of risk management. Loss control in the industrial-commercial world embodies:

- Ongoing concern for human welfare and constructive programs for betterment.
- Efficient and economical systems of coping with threats to resources, of maintaining cash flow, and of contributing to bottom line improvement.

tributing to bottom line improvement.

• Intelligent adherence to law and ability to cope with regulatory developments.

Objectives which must be reached on the way to achieving the lofty goals attributed to loss control may seem rather prosaic.

Avoid risk: For example, by deciding not to erect a building, introduce a service, or adopt a process when such actions would add hazards to a business operation.

Prevent risk: For instance, by installing safeguards on machinery to save workers from injury.

Reduce risk: For example, by installing sprinkler systems.

These three objectives are also reached by broader and continuing efforts to thwart hazards and minimize losses:





- Premises are designed, laid out, and maintained to reduce accidents involving nonemployees, thus cutting down the number of liability suits.
- Work injuries to employees are reduced through safety training and safety engineering programs.
- The location of business buildings and their methods of construction are carefully chosen and checked to minimize susceptibility to damage and destruction.
- Departments using dangerous equipment are isolated and provided with appropriate safeguards to minimize injuries. Dangerous inventory items are stocked in segregated locations, under the same operating philosophy.
- Products are designed, packaged, and provided with instructions for use with the inseparable purposes of saving the users from injury and of averting liability suits.

4. Select the most effective and economical defenses against loss.

At the outset of this article it was noted that every business, large or small, shares a common resolve to keep going and growing and that no enterprise could reach that goal without a protection plan.

The only variations in risk management are in the number of techniques used, in what combination, and the proportionate part each plays in the risk defense plan.

No mention has been made of the names of policies that help to make up good risk management programs nor of the amounts that are needed. The reason is that sound insurance should be professionally prescribed for the specific needs of an individual

Resources Involved	 Property Damaged, Lost or Stolen	 Injury to Others or Their Property	 Business Interrupted	 Injury, Illness, Death
Buildings	Fire		Fire windstorm	
Contents	Theft		Fire	
Operations		Injury to visitor		
Products		User injured		
Automobiles	Fire	Pedestrian hit; property damaged	Fleet of cars burns in garage	
Property of Employees, Others	Fire in storage room	Goods of others damaged in transit		
Employees		Injure others		Injure themselves
Other Assets	Theft, forgery		Equipment damaged	
Key Personnel			Deactivated by fire	Time lost through illness
Outstanding Exposures	<ul style="list-style-type: none"> • Fire, lightning, wind, hail, explosion, riot, vehicles, aircraft, smoke • Vandalism, malicious mischief • Collapse • Earthquake • Flood • Water damage • Damage, destruction of signs, plate glass, improvements and betterments 	<ul style="list-style-type: none"> • Destruction, accounts receivable records • Destruction, other valuable papers • Burglary, robbery • Forgery, extortion • Safe burglary • Workers' comp • Employers liability • Premises, operations • Products, completed work 	<ul style="list-style-type: none"> • Independent contractors • Contractual liability • Libel, slander, false arrest • Damage, rented premises • Damage, property of others in your custody • Owned autos • Leased, hired autos • Employee autos on company business 	<ul style="list-style-type: none"> • Income loss during shutdown, interruption • Added expense to operate • Loss, rental income • Loss, favorable lease cancelled • Death of proprietor • Partner • Key man • Stockholder in closed corp.

Six reasons you'd better bring your liability coverage up to date.



If you're depending on last year's liability coverage to protect you this year, you may be courting grave trouble. Because today's "sue syndrome" is creating crowded court calendars and jury awards are soaring. To help see if you're covered adequately, call a Continental agent. He'll work with you to identify areas of risk—guide you in selecting the right policies for your special needs—give professional help in adjusting your insurance limits to track more closely with current liability award trends.

At Continental, we strongly believe that it's good sense to make your agent your partner in protection. Because he's aware of what's happening in the liability area, and can work with you to obtain the protection you need in today's world of skyrocketing settlements.

The Continental Insurance Companies

Subsidiaries of The Continental Corporation
Look for our agent in the Yellow Pages.



operation after a competent adviser has sized up the entire risk picture in person.

In selecting the plan that will un-failingly guarantee sufficient funds to keep going and growing after any loss, the businessman and his adviser must take two steps previously described: Identifying exposures and estimating what losses would do to the enterprise.

From there on, selection must be on a down-to-earth basis. Critical losses that could ruin the company must be transferred to insurers on the best terms possible. Losses important enough to rock the firm noticeably should also be shifted to insurers, with deductible features in some cases. Losses that have been frequent and fairly consistent in amount often indicate self-insurance, with this proviso: The losses must be minor.

The risk manager of a large corporation must also consider other alternatives, including use of a captive insurer his employer may form and own, or of a captive insurer that is jointly operated by a trade association.

At the other end of the business scale, the small operator sometimes engages in noninsurance. This is not the same as self-insurance, which must be funded. Noninsurance is simply doing nothing about an exposure and paying for it out of pocket if loss occurs. It can be a conscious decision, or an unconscious omission when the business operator has no adviser.

Don'ts and do's

One last word to businessmen:

Don't permit anyone to fit you into a program; insist on a special program that fits you.

Don't go for a "perfect" program that may be too inflexible to change when your needs change.

And don't ignore lawyers, accountants, and tax specialists. They can help in many phases of risk management planning.

If you follow sound precepts, you are likely to achieve a program that gives you a better protective foundation—and at overall savings. From then on, your only job is to remodel the plan regularly to keep it up to date. □

MR. COSGROVE is a consultant to the Insurance Information Institute, New York.



The Story Behind Casualty Insurance Companies' Roller-Coaster Years



IN THE MID-1970's the fire-casualty insurance industry faltered and all but foundered. Even those businessmen whose kindest description of insurance had been "a necessary nuisance" were suddenly concerned.

The one-two punch of rocketing inflation and a plummeting investment market—a unique combination of the recession—almost floored insurers. Their policies had to pay losses on products and services whose prices were soaring. Rates had to follow, but this was a catchup process.

In addition, monumental losses in the value of insurer investments drained the surplus funds which stood behind the companies' contracts and determined their ability to accept new business. The sale of some types of insurance coverage was inevitably restricted or discontinued.

The sudden switch of certain businessmen from apathy to anxiety about insurance was thus tied to higher premiums or something worse: withdrawal of protection.

For those who had such experiences, an understanding of what happened and why might well be of value in the future.

Boom and bust

In 1971 and 1972 underwriters enjoyed their two most prosperous years. Profits dwindled fast in 1973, but the bottom line still carried a modest plus. That was erased in 1974, the industry's worst underwriting year until then. The all-time loser was 1975. The next year brought improvement, but still managed to wind up as the third most disastrous in the industry's history.

It is astounding that a business could record its two finest and its three poorest performances in a mere six years out of some two centuries and a half of existence. But what should grip the businessmen are the unhappy chapters of this progression. They were foreshadowed in 1973 when underwriters, heady with record profits two years back-to-back,

Arsonists are burning everyone.

Arson today accounts for more than 40% of all property losses from fire. This destruction amounts to over four billion dollars a year. And arson cases are rising by about 12% annually.

These fires are set for many reasons, but primarily to collect on the insurance.

The insurance companies, with the cooperation of the police and fire departments, are doing everything they can to take the profit out of arson. And a National Fire Prevention and Control Administration now has been set up by the federal government.

Despite these efforts, more insurance dollars are being paid out for crooked fire losses. So premiums have to go up to cover them.

Insurance, after all, is simply a means of spreading risk. Insurance companies collect premiums from many people and compensate the few who have losses.

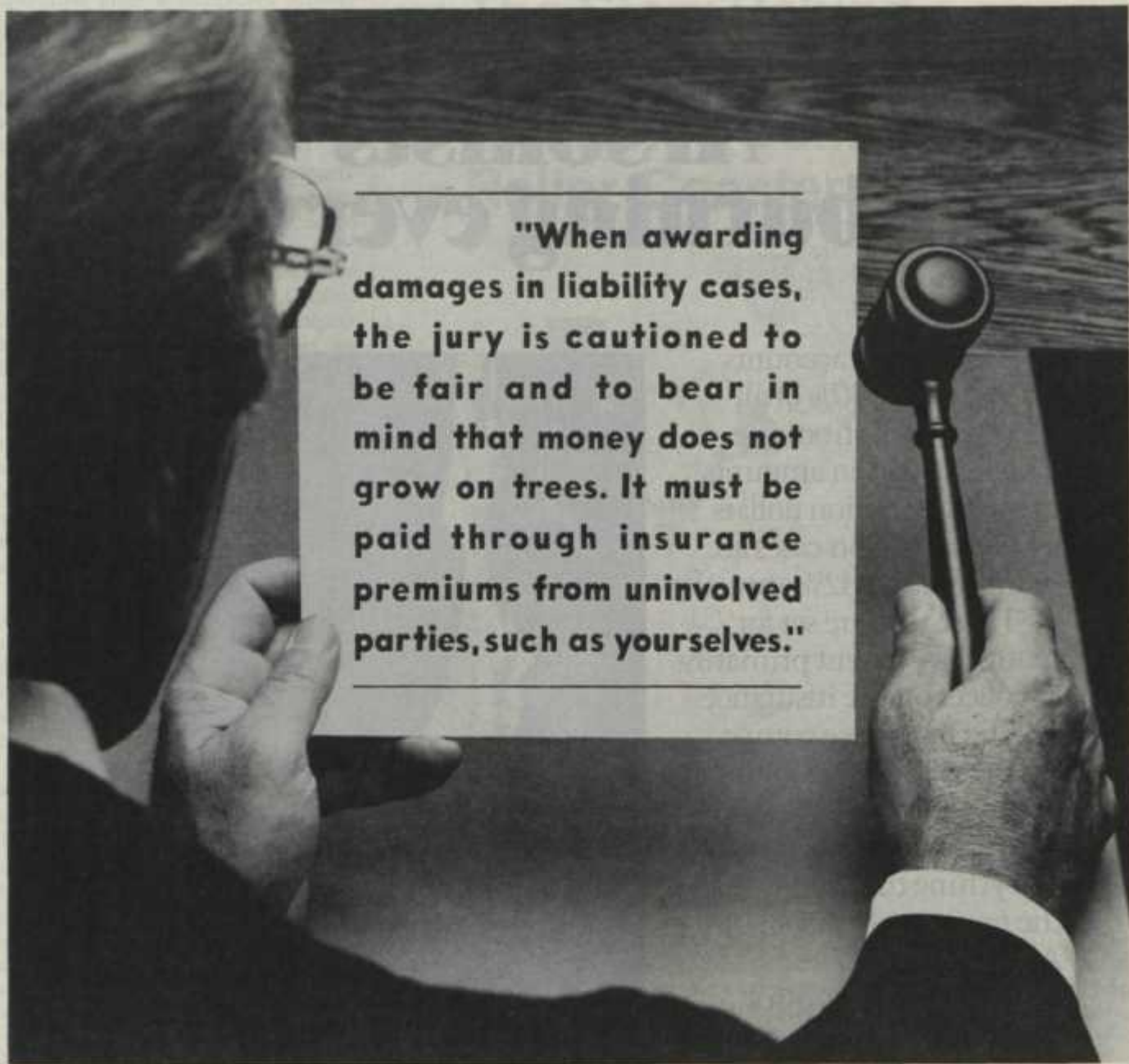


The price of insurance must reflect the costs of paying for those losses and the expenses of handling them.

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"When awarding damages in liability cases, the jury is cautioned to be fair and to bear in mind that money does not grow on trees. It must be paid through insurance premiums from uninvolved parties, such as yourselves."

Too bad judges can't read this to a jury.

In a small Florida town, a decorative boulder rests on the median of a road. A man with three drinks in him and no sleep for 18 hours smashes his car headlong into it. A jury orders the town to pay him \$4.7 million in damages!

A truck without brake lights is hit from behind. For

"psychic damages" to the driver, because his pride was hurt when his wife had to work, *a jury awards \$480,000 above and beyond his medical bills and wage losses.*

Then there's the one...but *you* can probably provide the next example. Most of us know hair-raising stories of windfall awards won in court.² Justified claims should be compensated, of course. Aetna's point is that it is time to look hard at what windfall awards are costing.³

What can we do? Several things:

We can stop assessing "liability" where there really *was* no fault—and express our sympathy for victims through other means.

We can ask juries to take into account a victim's *own* responsibility for his losses. And we can urge that awards realistically reflect the actual loss suffered—that they be a *fair compensation*, but not a reward.⁴

Insurers, lawyers, judges—each of us shares some blame for this mess. But it is you, the public, who can best begin to clean it up. Don't underestimate your own influence. Use it, as we are trying to use ours.

Aetna wants insurance to be affordable.

¹This case is being appealed by the town. In addition to the court-awarded damages, two other defendants (the contractor and the county) settled out of court for an additional \$1.15 million. This illustrates how extravagant jury-awarded damages set a standard for extravagant out-of-court settlements—the real problem,

since most liability cases are settled out of court.

²A by-product of such awards has been a quantum leap in the number of all kinds of suits filed. Products liability cases alone have increased from 50,000 a year in the 1960's to almost a million a year now.

³Most awards are paid by in-

surance, and insurance companies spend millions more defending policyholders against lawsuits. The direct result is rising premiums for automobile and other liability coverages. The indirect result is higher prices for goods and services—prices which are boosted to cover the skyrocketing insurance premiums of

manufacturers, doctors, hospitals, and others who are targets for windfall awards.

⁴For example, it would help if juries were simply required to take into account payments the claimant has already received for medical bills and lost wages. Under the present system, these bills may be paid all over again.



competed for more business by shaving rates.

At the very time when the cost of everything else was spiraling upward, insurers deliberately depressed their prices on policies that represented a large part of their volume.

By the time they corrected this, they had compounded the damage they automatically suffered from a runaway inflation that mounted to an annual rate of 12 percent by mid-1974.

On top of that, insurers had an added handicap. The cost of items their policies paid for jumped faster and higher than the overall price level. Insurers' bills always come from such hyper-inflationary villains as auto parts and repairs, building and construction costs, and hospital and medical care.

Malpractice suits

The word "medical" provides a logical lead into the next chapter of insurer misfortune. In recent years the medical profession, which insurers protect under malpractice policies, has become a major target for lawsuits. Doctors, especially surgeons, offered tempting opportunities to claimants under the tort liability system. Thanks in part to jurors whose misplaced sympathies went

to claimants perceived as underdogs mistreated by giant insurers, these suits often resulted in huge unrealistic awards.

With \$1 million windfalls commonplace, and \$4 million bonanzas not too unusual, premium payments were pitifully inadequate. As a result, premiums were swiftly boosted to a point where many doctors could hardly afford insurance.

Many specialists in high-risk surgery were forced to budget \$25,000 and more a year for malpractice coverage, and these were doctors with spotless records. Doctors who had lost malpractice suits had to come up with even more outlandish payments, if they could find anyone willing to insure them.

All the mushrooming premium charges, of course, wound up on patients' bills along with some new costs for additional tests, extra X-rays, and other procedures ordered as defensive measures against possible malpractice claims.

The ultimate toll exacted under malpractice policies often is unknown for years. Doctors are covered not only for claims brought against them in the year for which they pay a premium, but for any claims that crop up in future for acts performed during that year's practice.

Potential loss to insurers can peak five years after a given year's coverage. In fact, claims can continue to arise for ten, 15, or even 20 years after a patient was treated. The impact of inflation, when settlements are made, staggers the imagination. It also staggered insurers and so jeopardized their operations that they have begun to write new malpractice policies that eliminate liability for these lingering losses.

Businessmen also a target

Early in the 1970's newspapers began to feature stories about the fortunes being made from product liability lawsuits. Many claims may have been legitimate, but the bloated sums sometimes lavished on the injured as compensation were unjust. What's more, they inspired opportunists to sue, too.

One insurer received a claim against a department store where the plaintiff had bought a child's wading pool. Later, after a bit of alcoholic inspiration, the plaintiff was seriously injured when he challenged a neighbor to a diving contest into the pool from the roof of his garage.

Obviously, product liability rates took the same upward path as medical malpractice premiums. Some businessmen withdrew products from the market. Many stopped experimenting and innovating. The reason for some awards in product liability suits was, of course, an antibusiness attitude of jurors. But the net result was anticonsumer, for the added insurance costs had to be passed down to buyers just as higher costs of malpractice insurance were ultimately paid by patients.

The picture brightens

Happily, the picture now is brighter for insurance companies and those insured.

Rates now are more nearly in line with costs.

Many companies, though by no means all, have regained a surplus position that enables them to accept more business.

The most encouraging development of the recent past is the public's increasing concern about the explosion of lawsuits and irresponsible awards which, in the last analysis, the consumer pays.

The need for reform in the tort legal system has become clear, and the insurance industry is playing a leading role in the effort. □

For The Innocent, Risk Management Can Be A Risky Adventure.

Before you set off into the thicket in search of new ways of handling your insurance needs, maybe you should take a look at what you're getting into.

Obviously you're calling on a risk management service to save yourself, and your organization, some money. (Actually you're hoping it's going to be a lot of money.) And

if you can get the right programs set up, your dreams will be fulfilled.

But just like in any "fashionable" business, some of the people in risk management only talk a good game. (A temptation we

refer to as "the siren call of the inexperienced.") At AIG Risk Management we play a very good game. In a business that isn't very old, we have some of the most experienced people in it working for you. We're not learning as we go along.

The first thing we do when you come to AIGRM is make an in-depth analysis of your needs. Then we'll come up with a program. All this usually costs you nothing. And these programs are about the most flexible in the business. We know that every risk management situation is different.

And that getting trapped in an inflexible program that can't change with your needs is both costly and dangerous.

Once we've created the program, AIG Risk Management can do all the things other companies just talk about.

The Pitfall of the Broken Promise.



The Siren Call of the Inexperienced.



The Charge of the Pig-In-The-Poke.



You're not buying the proverbial pig-in-the-poke. AIGRM can implement any program you need. We can be a lot more imaginative and creative in our approach to risk management because we have the facilities to deliver what we promise. After all we're part of one of the largest international risk and insurance organizations, American International Group.

If you decide to take advantage of our services and set up your own internal program, there's no need to add even one person to your staff. All the work is handled by us. And a staff of engineers, claim and loss control experts, actuaries, data processors and risk analyzers.



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**“When anything
goes wrong
for me...
somebody is
going to pay!”**

“They owe me!”

So who is this "somebody?"

It's "somebody" with plenty of money, an unending ability to pay.

This "somebody" has the responsibility to provide an extra *reward* to a person for his misfortune.

And "somebody" makes it easy for us as jurors (and even the judges) to overlook just who it is that's wrong, and base our decisions on the assumption that *any* injury or loss (real or imaginary) deserves payment. And maybe a substantial bonus as well.

So who is this benevolent "somebody?" It's *you!*

This growing "they-owe-it-to-me" attitude may be just fine with you. But if you want it to be America's standard, be prepared to pay the bill. In the form of higher taxes, higher prices for goods and services, higher medical costs. And, yes, higher insurance rates. So, keep your checkbook handy.

Because insurance is merely a means of spreading risk among many. So, when claims and

settlements go up, rates can only do the same.

This complex social issue and its impact on insurance rates cannot be resolved without an informed public. Since you are the ultimate paying party, you most certainly have the right to be informed.

If that's your wish, send for our "Enough is Enough" booklet. It's full of information on the issue, along with action steps to help you register your views where they count.

Enough is Enough.

Write The St. Paul for your "Enough is Enough" booklet. Or contact an Independent Agent or broker representing The St. Paul. He's in this, too, and wants to help. You'll find him listed in the Yellow Pages.

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Why Insurance Premiums Pay Off for Everybody



MANY POLICYHOLDERS who have never collected a dime in claims regularly ask: "What do I get for my premium dollar?"

The answer is: Plenty.

In fact, policyholders not only benefit from their own premiums, but even from policies bought and paid for by others.

That extra benefit is probably quite a revelation to most people.

Hidden benefits

Suppose a manufacturing plant is the main industry and largest employer in a small town.

The plant is ravaged by fire and is forced to suspend operations until the property is restored.

Fortunately, the owners have protected their enterprise by sound fire insurance and business interruption coverage.

Who benefits?

Naturally, the owners themselves

benefit by recovering funds needed to meet expenses and even to pay key staff members while the plant is being rebuilt.

Many beneficiaries

Who else benefits?

- Several hundred employees who are assured the business will reopen.
- Employees' families.
- Government at all levels to which the business itself, the owners, executives, and all employees pay taxes.
- Owners of every other business in town and their employees.
- Schools and all other vital services of the community supported by taxes.
- Suppliers of the plant and many who, in turn, are supplied by it.

On a broader level, what return on the premiums he has paid year after year does a policyholder get who has never collected on a loss?

Here are some of the benefits his money pays for:

- Men and women injured and apparently crippled beyond hope of ever working again return to their occupation and not infrequently to better jobs.

They have been rehabilitated by medical attention, therapy, and retraining—paid for by insurance premiums.

- Children sit up close to the TV set and incessantly fiddle with the station-changer, the dials, and controls. Their parents are irritated, but they are not worried that the TV tube will blow up.

Why?

The tube was tested and approved by Underwriters Laboratories, which insurance premium dollars helped to establish.

- Highway accidents and deaths reach appalling totals every year. How much worse would an already

HOW TO GET MORE THAN YOU PAY FOR.

The knack of buying insurance is to get the right insurance for the right business. And, the best coverage for the money. Dollar for dollar.

Frankly, SAFECO's not right for everyone.

We have the capacity to write big businesses and the interest in writing small risks. But our commercial policies are aimed at the responsibly managed mid-size company.

And when it comes to value, no one has the edge on us. It's the little things you don't pay for that make it such a value. Like the five exclusive policy features we've shown under the "no charge" stamp in the photograph in this advertisement.

Your whole account can be handled in one competitively priced package. With all property covered on a replacement cost basis; building values

automatically updated annually; and payments for lost earnings and rental income made for up to 12 months in case of loss.

Policies are issued fast. We're fast on claim service, too—usually within eight hours. And we take care of your billing direct.

So see an independent SAFECO agent listed in the Yellow Pages.

Chances are a SAFECO agent not only represents us, but other good companies. And it's the agent's business to know your business and to tell you which company is best for

you. Nobody could give a better deal.

If the agent tells you your business and SAFECO are a good fit, you could end up with better coverage for less money. And that's the real value of doing business with SAFECO.



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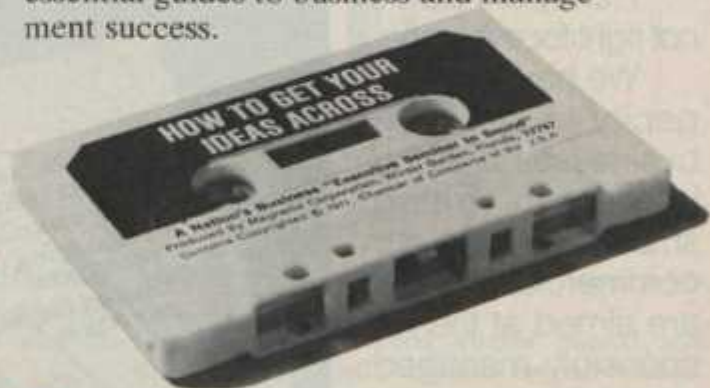
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2 Will help you capture wasted hours, turn them into productive effort so you can truly CONTROL your time.



3 Reveals techniques that master managers use to evaluate facts and minimize risks in decision making.



4 Dramatizes a wide variety of "people problems" and how they are solved... everything from spotting leaders to settling inter-office conflicts.



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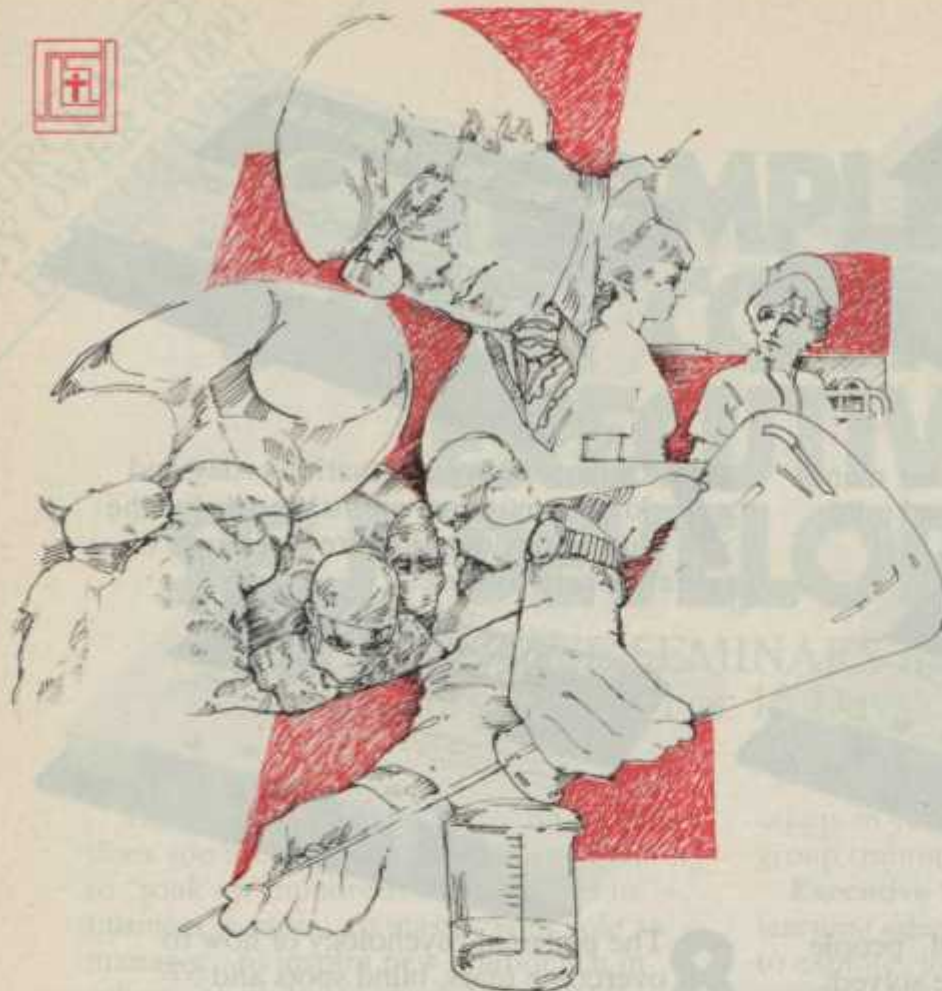
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**CU RISK
MANAGEMENT**

grim record be if millions did not drive with concern for other people's lives as well as their own?

Many of these millions were trained in high school safe driving courses or at other facilities paid for by premium dollars.

Supporting the economy

Important though these insurance-supported causes are, there is another vital one: the American business system itself.

Insurers are one of the primary sources of capital for all forms of business. That is due to their rank as one of the top investors in the stocks and bonds issued by business organizations. A substantial portion of the premium dollars paid to insurers thus flows into and enriches the lifeblood of the economy.

What this means in terms of job creation, business expansion, community growth, and other benefits is obvious.

In addition to supporting private businesses through purchase of their securities, insurance companies also make monumental investments in government notes, bills, and bonds, from the federal to the local level. Every community in the country boasts an imposing building, a bridge, or some other facility that was erected with the support of the insurance industry.

Financing the future

Many of these investments enable both government and business to go forward with long-term plans and projects.

In essence, then, insurers are providing support for the future.

Victor T. Ehre, chairman of Utica Mutual Insurance Co., has enlarged on this thought: "The most important function of insurance today, and the reason why the demand for it will go on rising, is that it makes possible long-range planning. Our whole economy runs on the promises of rewards for those willing to venture present assets and human resources on plans that will meet the public's future needs."

Upon reflection, even the policyholder who has never collected a loss payment will agree that his premiums represent money well spent and that he definitely has registered a gain—for himself and countless others who receive aid and support of many kinds from his premium payments. □

It's your retirement. Secure it with a tax-deferred plan.

HELLO,
PRUDENTIAL



Retirement. It has a habit of sneaking up on you when you're not ready for it. Well, you can be ready for your retirement and have financial stability to enjoy it. Just pick up a phone and say, "Hello, Prudential!"

on your situation, your employer can set up a plan and make substantial contributions to your account. In some cases, as much as \$28,175 could be deferred from earned income in the current year.

Build a retirement fund tailored for you.

A Prudential representative can show you the tax-deferred plan that best suits your needs.

- If you're self-employed,
you'll probably want one of Prudential's HR-10 pension plans. Contributions to your fund can be as much as 15% of your yearly earned income, up to \$7,500.
- If you're not already covered by another tax-deferred plan,
Prudential's Individual Retirement Account is for you. Take up to 15% of your annual earned income, to a maximum of \$1,500, and apply it toward your retirement fund. (An additional spouse benefit may be available.)
- If you work for a non-profit organization, including a public school system,
you may be able to take advantage of a Prudential Tax-Deferred Annuity. Depending

These tax advantages put more dollars to work for you.

No matter which Prudential Tax-Deferred plan you choose, contributions are tax deductible or excluded from your taxable earnings. And all fund earnings accumulate without current tax liability to you. You will be taxed only when funds in the plan are distributed, such as at your retirement. And by then, you'll probably be in a lower tax bracket.

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Dozens of basic marketing topics are scheduled for coming reports.

Marketing Update will help you solve the four basic marketing problems: The right price; the best product; correct promotion and sales; proper distribution. It will help you compete successfully in today's business environment. You will find yourself trying new tactics to improve sales and productivity. And it will give you new procedures for decision-making in many areas and increase your chances for success in the market place.

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The World of Industry

continued from page 14D

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More Competition From Foreign Aircraft-Makers

Although 1976 was a record year for exports of American-manufactured civil aircraft, engines, and parts, foreign firms are offering more and more competition. In the first six months of this year U.S. exports declined 5.3 percent, the first such decline in five years.

According to the Aerospace Industries Association of America, Inc., exports hit \$6.3 billion last year, a \$258 million increase over 1975. Since 1973 the value of U.S. exports has grown by 51 percent, with parts to maintain aircraft already in service constituting 35 percent of the sales.

"U.S. industry is still the world's foremost designer, developer, and producer of commercial aircraft, engines, and related equipment," says Karl G. Harr, Jr., president of the association. "But European, Japanese, and even Eastern bloc industries are working harder than ever to gain a larger share of the available business."

Civil aviation sales have been the dominant sector of American aerospace exports in recent years, he notes, with customers in 145 foreign countries. Europe accounts for 31 percent of all overseas sales, but it also is providing the major competitive threat with the A-300 Airbus and the British-French Concorde. •

Resin Paces Growth of Plastics Industry

Despite dependence on petroleum and natural gas for feedstock, the plastics industry is predicted to grow three times as fast as the gross national product through 1981.

This forecast is from Arthur D. Little, Inc., which anticipates that real dollar growth for the industry will average 12 percent annually.

Sales of resin, the main raw material for plastic products, are expected to grow from \$11 billion in 1976 to \$25 billion in 1981. Physical volume should rise from 31 billion pounds to 48 billion pounds.

Resin manufacturing is the fastest growing major segment of the industry, advises A. D. Little. The Cambridge, Mass., research and consulting firm estimates that 27 percent of the resin production goes to the construction industry, which includes paints and adhesives, and 25 percent goes to packaging.

The raw materials supply picture is favorable, too. Resin production now uses only about two percent of all crude oil and natural gas consumed in the nation. The industry isn't expected to lose ground domestically to foreign producers. Nor, for that matter, does A. D. Little see the U.S. losing its international position. Exports, which now account for about seven to eight percent of total resin sales, are expected to remain above six percent through 1981. •

Texas Will Be Big in Western Coal

Texas, enriched by enormous oil and gas deposits, is far from poor in coal.

Federal government estimates on coal production in Western states by 1985 show Texas third, with 59 million tons expected to be mined in the state that year.

Only Montana, with 101 million tons, and North Dakota, with 82 million tons, are expected to exceed Texas in coal production. □

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Squeegee-Cote® is a highly refined coal tar pitch with plastic additives that prevent freezing damage by filling up and sealing minute cracks and pores in pavement. Squeegee-Cote can be applied by brush, squeegee or spray equipment. Randustrial® will loan you, free of charge, spray equipment valued at \$2,630.00 for application of the material. After only two hours drying time, your asphalt pavements are smooth, black and impervious to damage caused by expansion and contraction of freezing water trapped in the pores of worn blacktop surfaces. *Free sample.*

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A Special Tax Problem: No Profits

Lin Emery, like a good many other American businesspeople, is worried about the Internal Revenue Service.

Like the others, Ms. Emery has a payroll to meet, equipment to buy, and a product to sell. The product, however, is unusual. Ms. Emery is a sculptor. And therein lies a special tax problem.

Ms. Emery's commissions have ranged as high as \$75,000, but she hasn't shown taxable profits. "I make money, of course," she says, "but I'm always buying a new lathe or something else that's deductible. I have two studios and fabulous fabricating equipment."

Under IRS rules, an enterprise such as hers must report a profit after so many years, or "the work will be considered a hobby, and they'll take away all the deductions," Ms. Emery says. "It's a real inequity against artists."

What Ms. Emery does is create aquamobiles—metal forms that mingle with streams of water to "evoke the essence of movement." Her latest work was commissioned two years ago by Helmerich & Payne, Inc., an oil and natural gas developer, and is now in motion in the parklike setting surrounding the company's Tulsa, Okla., headquarters.

"The company gave me complete freedom to design what I wanted," says Ms. Emery. The work consists of 18 rectangular forms made of a special copper-tin alloy, a pressure water system that uses two three-fourth horsepower pumps, and nonlubricated bearings that had to be handmade.

The metal forms are suspended from one another, each filling with water, tilting, and emptying as it swings through space. All are moving through constantly changing arcs. The whole is a kaleidoscope of sparkling water and shining metal.

"I got a tremendous amount of help and advice from engineers and technicians at several major firms," says Ms. Emery. "Because of all this assistance, the finished piece was named Free Enterprise."*



Lin Emery put metal and water together and produced "Free Enterprise," which captures the essence of movement and makes the passerby pause and ponder.

How Business Brought Medical Care to a Town

Mabry J. Brock believes in letting other people take the bows. So he is somewhat reticent about his part in bringing a medical facility to Shallowater, Texas.

"I did no more than a community

banker should do," says Mr. Brock, who is president of Shallowater's First State Bank. "There was a vacant building which wasn't doing anybody any good, and the town had no doctor. A medical school wanted to open a clinic, and we loaned the money."

Nothing is quite that simple, of course. Mr. Brock and other businessmen had been trying for years to recruit a doctor for Shallowater.

The vacant building was the bank's old headquarters and had been sold to a man who had hoped to establish a group practice. He was unable to do so.

Then Mr. Brock learned that Texas Tech University School of Medicine wanted to set up a family practice clinic in a small town convenient to the school. Shallowater, a farming community near Lubbock, fitted the specifications.

"We talked it up at town meetings, and the chamber of commerce got rolling on the idea," Mr. Brock says.

Local businessmen organized a nonprofit corporation to operate the clinic, the school hired a director and provided medical residents, and Mr. Brock's bank loaned the corporation \$82,000 at



Mabry J. Brock made a loan, and that brought a clinic to Shallowater, Texas.

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- Should you lease or buy equipment? Now you will know which way is cheaper for getting new equipment, machinery, trucks or cars.

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a low interest rate to buy the vacant building and remodel it.

One thing that didn't need much renovation was the bank vault in the building—it makes a perfect X-ray lab.

Mr. Brock says that helping his town was not his only motive.

"I have a capitalistic motive, too," he explains. "What's good for this community is good for the bank."•

Resurrecting a Ruined Company

Joseph J. Cottrell has spent years trying to outlast a legion of lawyers. Not that he did anything illegal—he simply became president of a conglomerate that had fallen apart at the seams.

Forgoing the bankruptcy route that others might have taken, he has patched up the conglomerate and kept it going on a smaller scale. Mr. Cottrell says the non-payment of debts involved in a bankruptcy "is immoral."

Chicago-based National Student Marketing Corp. began in 1965 with



Joseph J. Cottrell resurrected NSM, like a phoenix from the ashes.

the intriguing idea of selling just about everything to students on college campuses everywhere. Shares skyrocketed from ten cents each to \$35, and NSM acquired 25 companies,

including Mr. Cottrell's Buffalo, N. Y., school bus contracting business.

"We joined NSM in November, 1969, just weeks before the whole structure started to crumble," Mr. Cottrell says. "We didn't realize how bad things were."

NSM foundered amid fraud prosecutions by the Securities and Exchange Commission—four men went to jail—and lawsuits as thick as the snowfalls in Buffalo, where Mr. Cottrell was born. Mr. Cottrell, with several other board directors, was untouched by the scandal. He took over as president in March, 1972.

Today what is left of NSM is "a pretty good little company with a net worth of about \$30 million," Mr. Cottrell says. NSM consists of the bus contracting subsidiary, two shirt manufacturing plants, a company that sets up tours and publishes travel books, and an insurance company that specializes in nonstandard risks.

All the major lawsuits but one are settled (legal fees on all sides amount to more than \$15 million), and "we have paid every bill," Mr. Cottrell says. "We are one of the few companies in trouble that didn't go the bankruptcy route."

What is to be learned from resurrecting a ruin? Mr. Cottrell points to a need for openness and integrity from the lowest company level to the highest and a need for managers to be devoted to management. Most of all, he says, "we must keep reminding ourselves that our society is only as good as the people who run it and dream about it."•

Selling a Service in Retailing

William P. Claussen has a bevy of women at his beck and call—600 housewives across the country who, as employees of his company, Sales Maids of America, Inc., fill gaps on supermarket shelves.

"It's a familiar problem," says Mr. Claussen, of Westport, Conn. "You go into a store for some toothpaste, and all they have left in your brand is the giant economy tube. What has happened is that the brand's hard-pressed sales representative doesn't have enough time to restock all the

stores he visits, and the harried store manager doesn't always have enough personnel."

Enter the para-salesperson. Mr. Claussen's housewives, working part-time, check inventories of products of certain brands, restock the products when needed, and reorganize or install displays—all at no cost to the store.

"I just subdivided the sales repre-



William P. Claussen designed this symbol for his more than 600 sales maids, who go into stores nationwide to restock shelves for client companies.



sentative's job and offered a service to manufacturers and marketers at one fifth to one tenth of the costs they would normally pay," says Mr. Claussen, who put in 25 years in sales and marketing management for such firms as McKesson & Robbins Drug Co., American Home Products Corp., and Chesebrough-Pond's, Inc.

Founded in 1973 in the Boston area with about 1,000 stores and three clients, Sales Maids now operates in more than 30,000 supermarkets, drugstores, discount houses, and convenience stores. It has a variety of clients that manufacture and market products including health and beauty aids, cigarettes and cigars, candy, magazines, and packaged foods.

Says Mr. Claussen: "It's mass merchandising with a woman's touch."□

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Sports Stadiums That Don't Burden the Taxpayers

Private enterprise shows the way to make a place to play pay

IN PROFESSIONAL basketball and ice hockey circles, the name Abe Pollin is a household word, which is not unusual since he owns the Washington Bullets basketball team and the Washington Capitals hockey team.

He also built and owns Capital Centre, a multipurpose sports and entertainment arena in a Maryland suburb near the nation's capital.

Abe Pollin, however, is a businessman first and a sports figure second.

He likes final scores which show the Bullets and the Capitals winning, but it's the bottom line on the financial reports that really commands his attention.

Abe Pollin has to show a profit to stay in business.



Sportsman-businessman Abe Pollin (right), shown with Washington Bullets Coach Dick Motta, built Capital Centre (below) as a private enterprise venture. He concedes that it takes a lot of business acumen to make a go of such a sports arena, but he insists it can be done.



Other businessmen around the country own sports arenas, and with them the picture is the same: They are in the business in order to make money.

Not-for-profit arenas

Contrast their operations with some other magnificent stadiums which have sprung up around the country in recent years, and the picture is different. These were built by city, county, and state governments. They do not have to show a profit to stay in business.

The kind of mass audiences that are attracted to these hundreds of auditoriums, arenas, stadiums, and exhibition centers spell big money—an estimated 2.5 billion spectators plunking down some \$2 billion last year alone. These spectators are drawn by every conceivable kind of entertainment: by athletic contests, rock concerts, ice shows, circuses, rodeos, and operas.

For many American communities, these entertainment centers have become status symbols. Cities compete vigorously to outdo one another. For a decade the 66,000-seat Astrodome in Houston was a showpiece. Total cost: \$45 million.

New Orleans would not be outdone. Today the 76,000-seat Louisiana Superdome dominates the Mardi Gras city's skyline. What began as a \$30 million voter-approved enterprise ultimately cost \$163.3 million or, if its critics are correct, \$180 million.

Proponents of publicly built sports and entertainment facilities can make the argument, of course, that there are considerations other than profit that go into their construction. That, for example, they serve a civic need, that they upgrade neighborhoods, and that they bring business to a community.

On business principles

Still, in those enterprises run by private interests, experience shows that greater emphasis is placed on sound business principles than is usually found where operations are directed by public bodies.

Abe Pollin says:

"We have to meet payrolls as any other business. We have to pay taxes as any other business. We have to

pay rent. We have to meet all our bills. We can't look to the taxpayer to bail us out."

While he acknowledges that sometimes major sports facilities can only be built by public bodies, he says:

"The fact remains that these publicly owned stadiums and centers are not run with the same intensity, the same business acumen, as they are where you have to make a financial go of it."

Of course, Abe Pollin, like every other entrepreneur in his field, has had to hustle to keep the turnstiles moving when his hockey and basketball teams are not on hand to bring the customers in. By the end of the third year of operations, Capital Centre had hosted 815 events—from a Soviet circus to a Muhammad Ali heavyweight championship fight. Mr. Pollin's doggedness has not gone unnoticed. "Washington Star" sports columnist Morris Siegel has observed:

"He did it without public assistance, without begging for a subsidy at the public trough, without tapping the taxpayer's till in the phony interest of civic philanthropy."

A private entrepreneur

Abe Pollin was a private builder long before he bought the Capitals and the Bullets or even considered going into the sports arena business. In fact, he built Capital Centre because he needed a suitable arena for the Bullets, whose franchise he bought for a record \$1.1 million and moved from Baltimore to Washington, D. C. Then, to keep the turnstiles turning, he picked up a national hockey league franchise and launched the Washington Capitals on their way.

Mr. Pollin started working when he was in his middle teens as a laborer for his father, then a plumbing and heating contractor. In 1946, when Abe was 22, the elder Pollin went into home building. Although the father had priority to buy building materials, wartime shortages still persisted, and things were not easy. Abe Pollin found a way around that obstacle. He got up at 4 o'clock every morning, headed for the Washington railroad yards, and made notes of what materials were coming in and

to what wholesalers they were assigned.

"Then I'd go to the supplier and tell him, 'I want my share,'" he recalls. "I'd usually get an answer like, 'How do you know what I have coming in?' Well, I wouldn't tell them, but I got what we needed."

The Pollins built hundreds of homes for veterans and sold 60 the first afternoon they went on sale.

On his own

In 1957 Abe Pollin struck out on his own and began building apartments. He became one of Washington's leading builders. A number of his apartment projects won awards for design and construction. He was the first Washington contractor to build a swimming pool on top of an apartment building.

It was Abe Pollin, businessman, not Abe Pollin, sportsman, who built Capital Centre.

"I knew there was a potential for a successful venture like this in the Washington area, but that was only the beginning," he says. "I traveled all around the country visiting established facilities, private and public, talking with owners and managers, and anyone who could give me what I needed to know."

On one such inspection trip he saw firsthand how the cost factor figures into the business operations of private vs. public sports centers.

The difference

He explains: "I was looking over one of these arenas and saw this sizable crew of men working with a piece of heavy equipment that had to be moved in and out before and after each event. The manager told me it took 22 men and three hours for each moving operation. This was a publicly run arena."

"The very next day I happened to be visiting a somewhat similar privately operated facility. Again I saw what looked like the same kind of equipment being moved around, and I asked this manager what it took to handle it. He said: 'Abe, I have only three men for this job, but I had special equipment designed and built just for this job. We do it in two hours.'"

"This was a clear-cut example of

looking for economies when you have to. That's the difference between paying your own bills as opposed to letting the taxpayer pay them."

Paying their own way

If the taxpayer has to foot the bill to make up the difference between what ticket sales bring in and operations cost, the spectator enjoys an advantage. The taxpayer is paying for part of the cost of the spectator's fun.

Capital Centre, in the first three years of operation, paid nearly \$3.7 million in admission taxes to Maryland's Prince Georges County government and an additional \$500,000 in rent to the Maryland-National Capital Park and Planning Commission, a sum which reverts back to the county. All other privately owned facilities similarly pay taxes at the local, state, and federal levels.

Nowhere is the contrast between private vs. public facility, from the standpoint of asset or burden to a community, in such sharp focus as in the Washington area. The Robert F. Kennedy Stadium, home of the Washington Redskins professional football team and underwritten by the federal government, hasn't paid a penny back to retire the bonds issued to finance its construction, and only a part of the interest which has accrued.

Except for the home game appearances of the Redskins and an occasional rock concert, Kennedy Stadium sits virtually unused on the banks of the Anacostia River. When the Washington Senators baseball team abandoned the capital for Texas, the stadium was only a few years old. The American taxpayer has been left holding the bag.

From red ink to black

In 1967, in Philadelphia, The Spectrum—a \$12 million sports and entertainment center—opened its doors. Five years later, The Spectrum went bankrupt. Edward Snider, a businessman who owns the Philadelphia Flyers professional ice hockey team, bought the center. The Flyers and the Philadelphia 76ers professional basketball team, owned by businessman Fitz Eugene Dixon, are among the main attractions at The Spectrum.

Allen B. Flexer, president of The Spectrum, told NATION'S BUSINESS that the Philadelphia facility has been immensely successful under the



The King County Domed Stadium (above) in Seattle, and the Louisiana Superdome in New Orleans are monuments to civic pride, but they cost the taxpayers a bundle. Each was plagued by huge cost overruns and expensive delays before they were finally opened to the public.

new ownership, "but we have had to work at it." He adds:

"We try to maximize every event—there were 265 last year—and we have to strive for excellence.

"There is a difference between the way these private and public facilities are conceived, built, and operated. The public ones all cost more. There seems to be too little control, too little accountability. They don't worry about the bottom line the way we do."

For nostalgic and other reasons, New York City decided to renovate and refurbish staid, old Yankee Stadium, which the city had condemned in 1972. But nostalgia was not enough to blunt some of the criticism about a city, already deep in debt, moving on a project of this sort, esti-

mated to cost as much as \$150 million when the final bill is toted up.

One notable exception to the rule that public bodies are less cost-conscious than private entrepreneurs is the 80,000-seat Pontiac, Mich., stadium, the Silverdome, new home of the Detroit Lions. Unlike New Orleans' Superdome and some other stadiums, it was built right on schedule and right on budget.

The Pontiac Stadium Authority, which financed the \$55.7 million Silverdome through two bond issues, simply would not permit a cost overrun to occur.

According to Carl Luckenbach, the chief architect, the original design called for a steel superstructure. For economy reasons, the decision was made to switch from steel to con-



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ZIP

The Silverdome, home of the Detroit Lions, is covered by a Teflon-coated Fiberglas fabric that cut \$3 million off costs and a year off construction time.



Construction of the Houston Superdome (above) in the 1960's set the stage for many American cities to erect costly sports stadiums, most of them at public expense. Privately built sports centers such as the Forum in Inglewood, Calif., (below) must book a variety of entertainment to stay in the black.



crete. Another major decision, and one which broke new ground in such construction, was to switch from a rigid roof to something else that would hold down escalating costs.

Owens-Corning Fiberglas Corp. came in and provided that "something else"—a Teflon-coated Fiberglas fabric. But nothing on that scale had ever been tried before.

"With this fabric dome construction, costs were cut in half, and we were able to enclose the stadium on schedule and within budget," Mr. Luckenbach recalls.

Saving \$3 million and time

Using a fabric covering not only saved about \$3 million, but also slashed a year off the construction timetable.

Considering the array of activities that can be produced in a closed stadium as opposed to an open one, Robert Mulligan, a vice president of Owens-Corning, asks: "How can you justify ever building a stadium again without a roof?"

In projects as large as these, cost per seat is the yardstick generally used to measure construction efficiency. The Silverdome chalks up high grades in this respect.

A dozen huge, new stadiums have been erected in the United States in the past decade at a total cost of about \$700 million. The average cost per seat was \$802.

Three of the 12 are all-weather domed stadiums: The New Orleans Superdome, the Pontiac Silverdome, and the King County Domed Stadium in Seattle. These three had an average seat cost of \$1,280. The Superdome came in at \$2,200 a seat, or \$2,400 if the \$180 million estimated price tag is used; the Seattle stadium at almost \$1,000; and Pontiac at only \$690.

A first for Owens-Corning

Owens-Corning had experience using Du Pont Teflon fabric for roofing buildings before, but nothing on the scale of the huge Pontiac stadium. Previous projects included a student center at La Verne College in California, a field house at Milligan College in Johnson City, Tenn., and a student activities center at California's University of Santa Clara.

After construction of the Pontiac stadium, the University of Northern Iowa in Cedar Falls decided on a Fiberglas dome to cover its new 20,000-seat football arena. The dome

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HOW A LOSER IS REALLY A WINNER

Busch Memorial Stadium in St. Louis might be considered the most successful sports arena in the United States, even though it is losing money hand over fist.

The private investors who put up cash to build Busch Memorial knew they would lose money when they built it, but that is only half the story. They figured to make money on the redevelopment of a rundown warehouse district in which they located the stadium.

Busch Memorial is the only major multipurpose sports stadium built in the U. S. in recent years entirely with private funds and without government subsidy. All others were built with taxpayers' money, or the tab for operational deficits is being picked up by taxpayers.

In the late 1950's St. Louis civic leaders decided something had to be done about a 34-block area that stood out like a sore thumb between the heart of the downtown area and the Mississippi River waterfront.

The first plan was to build only a stadium, but that idea was soon scrapped. The local chamber of commerce, since renamed the St. Louis Regional Commerce and Growth Association, came up with a more ambitious scheme: Build a stadium and redevelop the entire area.

In 1959 the Civic Center Redevelopment Corp. was organized.

Some 400 shareholders, representing a cross section of business, labor organizations, and individuals, set out to raise \$20 million to be used as equity capital to obtain a \$33.5 million loan. Anheuser-Busch, Inc., started the drive rolling with a \$5 million check, and the stadium was named for the late August A. Busch, who headed the brewing company and whose grandson, August A. Busch III, is the firm's current chairman. The remaining \$15 million was raised in about two years. The Equitable Life Assurance Society of the United States moved into the picture and granted the \$33.5 million loan.

Announcement that the stadium would be built was instrumental in saving the St. Louis Cardinals professional football team, which was receiving tempting overtures from Atlanta.

Busch Memorial Stadium was completed in 1966. Four multistoried parking garages, available to downtown motorists as well as stadium visitors, were opened for business almost simultaneously.

The redevelopment group then put up a series of buildings in the area. Pet, Inc., moved into a new world headquarters. Equitable Life moved into a 24-story office building, and General American Life Insurance Co. occupied a \$10 million structure. More recently, two posh hotels—Stouffer's Riverfront

Towers and the Breckenridge Pavilion—were opened.

Total investment on the site of the old warehouse district now tops \$135 million. The only non-private money in the entire enterprise is \$6 million, raised in a public bond issue, for street and utility improvements.

The city of St. Louis is receiving payments annually in lieu of taxes. These payments amounted to \$259,324 last year.

Meanwhile, the stadium loses money—from \$350,000 to as much as \$900,000 in a single year. Most of the stadium's revenues come from the Cardinals football team and the Cardinals baseball team, but the stadium also books circuses, concerts, and other forms of entertainment.

The Civic Center Redevelopment Corp. makes up the losses with income received from the sale of land and the construction and sale of office buildings and hotels.

Overall, the corporation is solidly in the black.

"We never expected to make money on the stadium," O. O. McCracken, president of the redevelopment group, told *Nation's Business*. "We considered this a civic investment. However, the stadium has helped attract these other developments, and they, in turn, are having a rippling effect outside the area."

required only two months to erect, compared to two-and-a-half years for a traditional roof, and the cost was about \$2 million instead of \$4 million. Because building costs were held down, the state of Iowa did not have to provide any financing for the stadium. The entire project was paid for through contributions and student fees.

A boon to some

"Because tax dollars were not touched, this type of structure is about to see a real boom," says David Geiger, a partner in Geiger-Berger Associates which served as consulting engineers for the Pontiac stadium. "Colleges and universities fac-

ing hard times will find this type of building quite feasible. In fact, the 4,000 existing sports stadiums in the United States can readily be converted to this type of year-round, all-weather, multipurpose sports and recreational center."

What Mr. Geiger was saying, of course, is that few such structures, usually sitting on valuable real estate, enjoy so little usage as a college football stadium—about 20 hours a year, unless you include some publicly owned stadiums which increase their usage slightly by featuring both baseball and football.

If the Pontiac stadium represents the wave of the future, it is not coming without resistance. Mr. Lucken-

bach, the architect, says that "the building industry, traditionally, has resisted change. Here we used new techniques, new materials. The roof could not have been engineered without computers, not built without Teflon."

"It was enormously satisfying to play a part in the application of this significant new architectural technology."

No one is more sold on the use of the Fiberglas fabric as a covering device to cut down costs than David Geiger. He sees the day when zoos, college campuses, golf courses, and even cities will be covered by Teflon or a similar fabric.

Another example of a successful,

run-for-profit sports arena is the Forum in Inglewood, Calif., the home of the National Hockey League Kings and the National Basketball Association Lakers. The \$15.5 million Forum was built ten years ago by Jack Kent Cooke, a retired Canadian radio, television, and newspaper executive. As in the case of Abe Pollin, Mr. Cooke owned one franchise—the Lakers—and needed a place to house them. So he built the Forum. Subsequently he acquired the Kings franchise.

Imagination needed

Claire Rothman, Forum building manager and booking director, has held similar posts at Philadelphia's Spectrum and the Coliseum in Cleveland. She says it takes the shrewdest kind of businessman to make an entertainment complex pay off. Imagination and strict attention to cost usually make the difference, she says.

"This is why ice shows were created," according to Miss Rothman. "Ice shows, rodeos, circuses, rock concerts—these are what you need in addition to sport teams to break even or turn a profit."

Sometimes, unfortunately, circumstances develop which even the most astute business organizations find difficult to overcome. Take the case, for example, of Madison Square Garden, probably the best known facility of its kind in the world. In 1976, even with five million customers, it lost money.

In his annual report to stockholders, Alan N. Cohen, president and chief executive officer of the Madison Square Garden Corp., blamed increased operating expenses, real estate taxes, decreased rental income, and failure of the basketball and hockey leagues to expand. Overall, however, the corporation, which owns three racetracks, two hotels, and assorted other interests, enjoyed record earnings.

Staying in operation

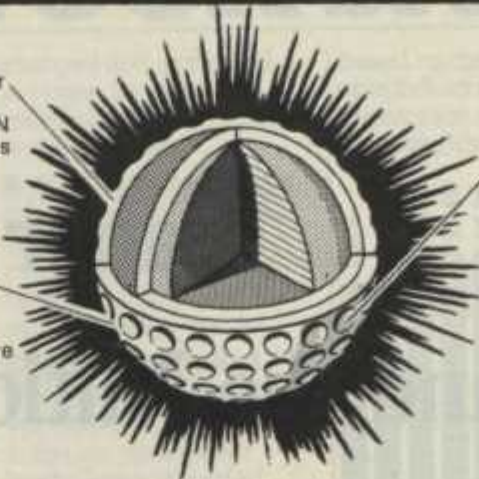
In its almost 100 years of existence, the Garden—currently in its fourth home—has always been run by private entrepreneurs. There have been good times and bad, but the Garden has always managed to survive.

The Garden may never have been, as O. Henry once called it, "the center of the universe," but it has been durable. □

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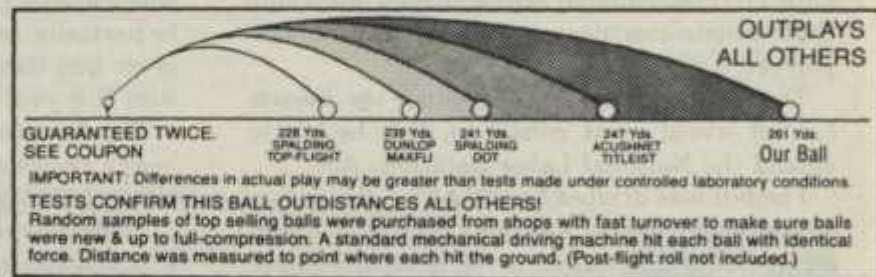
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Labor Law and the National Interest

SHOULD FEDERAL labor law be shaped into a club that unions can use against employers, employees, and the public?

That is a fundamental question the Senate cannot avoid as it considers legislation to amend the National Labor Relations Act.

The bill was drafted by the AFL-CIO leadership with the goal of halting a decline in union membership that has occurred in recent years.

If enacted, the measure would put the power of the federal government behind union organizing drives. Representation elections would be held on a rush basis, denying employers an opportunity to counter union organizing propaganda. Companies could, in fact, be required to allow union organizers onto company property during working hours to address employees. Companies that resisted organizing attempts could find themselves vulnerable to charges of unfair labor practices and to penalties that included denial of federal contracts for three years.

The measure contains other punitive measures aimed at employers.

Despite the one-sided nature of the legislation, the House has given its approval. Some observers believe that many of the members

who voted for the bill did so not on its merits, but to partially redress the series of defeats Congress had handed organized labor on other issues this year.

The Senate, therefore, has a particularly heavy responsibility for evaluating the labor bill in terms of the national interest.

That interest requires an even-handed law which is designed to maintain peaceful labor-management relations and to provide the machinery for equitable settlements when disputes do arise. Such a law should emphasize solutions, not punishments.

The National Labor Relations Act amendments being urged on the Senate by the AFL-CIO represent a retreat from fairness and constructiveness, however—not progress toward them.

If enacted, the amendments would benefit only a handful of union leaders and organizers. The amendments would hurt companies that provide jobs, workers who fill them, and the general public.

That might be AFL-CIO President George Meany's concept of reform. But Congress must accept the fact that a majority of Americans do not share that view. □

YOU'RE INVITED TO GET UNDER OUR SKIN.

UNDER EVERY TOUGH CHEVY FLEETSIDE PICKUP THERE'S ANOTHER TOUGH CHEVY PICKUP.

When we say Chevy trucks are built to stay tough, we mean it. There are two tough steel walls in the Fleetside tailgate, pickup box sides, front fenders and hood. That's toughness where it's needed most. And that's one more good reason Chevy Fleetside pickups make such an impressive investment for your job.

Corrosion resistance to match.

Chevy pickups are given extensive corrosion resistance treatments. For example, up front, inner and outer fender and hood panels are sprayed with an anti-corrosion compound before assembly. In the back, Fleetside pickup box steel floor, sidewalls, front panel and tailgate are electrically

charged and immersed in primer for corrosion resistance in those hard to get at places.

A word about engines.

Chevrolet pickup trucks are equipped with GM-built engines produced by various divisions. See your dealer for details.

Built to last. Look at the record.

95.7% of all Chevy trucks, in the ten most recent model years recorded, were still on the job. This is

based on the latest available industry model year registration statistics through July 1, 1976.



R. L. Polk & Co., July 1, 1976-1977 statistics not available

Double-wall tailgate.

Fleetside tailgate is double walled, with deep, embossed surfaces on the inside for rigidity.

Double-wall pickup box.

Sidewalls are double walled from top to bottom to provide structural rigidity. Also, inner wall prevents shifting cargo from marring exterior wall.

Double-wall cab.

Upper cab back panel, windshield pillars and front cowl are two steel walls thick.

Double-wall doors.

Pickup doors have inner panels with embossed areas for added rigidity.

Double-wall hood.

Two pieces of steel welded together to form one solid unit. Helps eliminate hood flutter.

Double-wall front fenders.

Front fenders have an embossed steel inner wall. Also, a self-washing inner fender skirt to help protect engine from salt spray, flying stones.



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